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in the Republic of Belarus in 2017

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EDITORIAL FOREWORD

Belarusian Yearbook 2018 is a comprehensive analysis of the key developments in the main sectors of the state and society in 2017. The main processes underlying the political agenda in 2017 were the gradual withdrawal from recession amidst favorable terms of foreign trade, settlement of some discrepancies in the relationship with Russia, and conspicuous attempts of the Belarusian authorities to adapt to the changing environment. However, as most of the Yearbook's experts note, this adaptation is belated and insufficiently consistent.

The state's *domestic policy* can be described as a cautious search for methods to reform the economy and mechanisms to control people's sentiments that would produce the least impact on the political system now that the previous social contract has been de facto dissolved. The year was also marked by unsuccessful attempts to put in place a smaller sized and more effective state machine. The authorities 'paused' their efforts to address the hoary structural socio-economic problems and started creating 'growth points' in the form of elements of dialogue with society, changeover of the media, campaigns to pursue narrow liberalization of the business environment and create a "new" (digital) economy within the unreformed old framework. Political reforms were postponed indefinitely.

In *foreign policy*, official Minsk continued to rely on the gradual normalization with the West, seeking to maximize its benefits from the transformation of the EU's approaches to Eastern Europe, as well as its role as a facilitator in resolving the conflict in Ukraine. The normalization of the Belarus-U.S. relationship continued in 2017, but at a slower pace. At the beginning of the year, Minsk took an unprecedented diplomatic step – it unilaterally abolished entry visas for citizens of 80 countries of the world. The relationship between Belarus and Russia also went through a kind of normalization: the two countries managed to move towards the settlement of a number of serious conflicts and disputes dating from 2016. However, the level of the engagement between Moscow and Minsk decreased as against the pre-conflict era. In terms of Belarus's relations with developing countries, the year 2017 was characterized by a

revision of the efficiency of investments — in a broad sense — in this area.

The *economy* saw the commencement of recovery growth against the backdrop of an improved external environment. At the end of the year, Belarus showed all-time best results in terms of inflation and current account of the balance of payments. Demand for labor also recovered; however, the number of people employed in the economy continued to decline, whereas the problem of unemployment remains relevant, especially in the regions. Tensions in the labor market were manifested in mass protests against Decree No. 3.

Public opinion polls recorded a surge of discontent at the government's economic policies in February 2017 — the nation spat out its hard economic self-sentiment and its insulted sense of justice. However, no radical changes took place, and by the end of the year, all of the main indicators went back to their typical limits.

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

Contributing to *Belarusian Yearbook 2018* were independent analysts and experts, as well as specialists representing various think tanks, including Institute of Political Studies “Political Sphere”, Belarusian Institute for Strategic Studies (BISS), Belarusian Institute for Public Administration Reform and Transformation (BIPART), School of Young Managers in Public Administration (SYMPA), Minsk Dialogue Expert Initiative, Ostrogorski Centre, Belarusian Economic Research and Outreach Center (BEROC), *Belarus Security Blog* analytical project, Centre Ecumena, Foreign Policy Council “Ukrainian Prism” (Kyiv), Institute of International Relations (Warsaw, Poland), Agency for Social and Political Expert Appraisal, and the website of the expert community of Belarus *Nashe Mnenie* (“Our Opinion”).

STATE AUTHORITIES

PRESIDENTIAL ADMINISTRATION: BETWEEN HARD LINE AND LIBERALIZATION

Nikolai Burov

Summary

In 2017, the Presidential Administration was substantially restructured. Its largely reshuffled leadership was tasked to invent a new outreach tool since the social contract has actually been repudiated. Also, the Administration is to optimize the state machinery again, keeping in mind mistakes made in 2013. None of these tasks have been performed in a way that may be described as satisfactory.

The Administration continued patchy reforms of the Belarusian economy, vehemently rejecting any kind of political reform in the country.

Trends:

- The Presidential Administration was cautiously looking for a new ideology and tools to control public sentiment, given that the social contract is no longer valid;
- The economy was undergoing piecemeal reform under the supervision of the Administration and president's proxies, while political reform was out of the question;
- An unsuccessful attempt was made to carry out a wiser optimization of the state machinery with due consideration of mistakes made in 2013.

Staffing solutions

The Presidential Administration entered the year 2017 with a changed composition and new tasks. A woman took the office of the presidential chief of staff for the first time in the history of sovereign Belarus: former Vice Premier Natalia Kachanova was appointed on December 21, 2016. Some media called her the most powerful woman in Belarus.¹ Career diplomat Maxim Ryzhenkov, one of the key sports functionaries since 2012, was appointed first deputy chief of staff. Kachanova was set a

¹ «Как Кочанова стала самой влиятельной белорусской женщиной.» *UDF.by*. 20 Mar. 2018. Web. 30 Mar. 2018. <<http://udf.by/news/sobytie/170956-kak-kochanova-stala-samoy-vliyatelnoy-belorusskoj-zhenschinoy.html>>.

challenging task and given little time to reformat activities of the Administration with respect to ideology, personnel policy, expert support for economic policy, and legal support for the president. Alexander Lukashenko particularly pointed at the work with appeals filed by individuals as a weak link.

The ideological policy has undergone considerable revision. Deputy chief of staff Igor Buzovsky, who was in charge of ideology, was dismissed from office. The Central Department for Ideology was closed. Its head, assistant to the president Vsevolod Yanchevsky vacated his office as well. As soon as February, both received pretty good appointments: Buzovsky now heads the Central District of Minsk, and Yanchevsky is the High-Tech Park CEO.

New functions were given to Lukashenko's Press Secretary Natalia Eismont (equal in status to presidential assistant) and presidential assistant Nikolai Korbut. Apparently, the optimization was meant to profoundly reconsider the status of the ideological vertical and the role of ideology. In fact, Yanchevsky's terms of reference were distributed between Kachanova and Eismont.

At the meeting held February 6, the head of state particularized his view on the optimization of the Administration. He once again spoke about poor discipline and ineffective execution of president's orders. Earlier, referring to an analysis made by the Administration, Lukashenko said that a great deal of his orders was not carried out. No systemic changes followed, though.

He severely criticized the Presidential Academy of Public Administration, Information and Analytical Center and the National Press Center, but no personnel changes, which usually follow such criticism, were made. Moreover, the employment contract with Rector of the Academy Marat Zhilinsky was renewed.

This criticism once again highlighted the serious problem faced by the Administration — the shortage of qualified personnel and the scarcity of tools to motivate and incentivize civil servants. Although the president set clear tasks, the Administration did not offer a single solution in 2017.

Further steps to optimize the Administration were discussed at the above meeting: to reduce the staff by 30% to 118 persons

on payroll, including 108 civil servants. In line with the legislative requirements, the reduction was supposed to be completed by May 1.

The very fact of the optimization is remarkable. A similar optimization was carried out in 2013. Officials could not believe until the last moment that the Administration would be subjected to staff cuts along with other government agencies. A reduction of 40 to 50 jobs in the Administration will save a considerable amount, but, given the status of this institution and the wide range of its functions, it can lead to a functional atrophy.

It is possible that the real hidden motive to optimize the Administration is the intention of the president and his entourage to limit the circle of power beneficiaries, and, on the other hand, to expand the presence of the ‘Family’ in other sectors. There is a fairly stable elite group, which controls the political, economic and security blocs, thus not being part of the Administration (for example, the so-called “court businessmen”).

An important aspect touched upon at the February 6 meeting was the need to elevate the status of presidential assistants/regional and Minsk city inspectors. The Administration has been massaging this idea for years², but the very structure of the vertical of power makes it impossible to redistribute powers between the governors and assistants-inspectors. Nevertheless, a number of personnel appointments were made in 2017 towards this end.

Formally, the new composition of the Administration was approved by presidential decree No.40 of February 13, 2017. The number of deputy chiefs of staff was reduced to three, one first deputy among them (Maxim Ryzhenkov, Valery Mitskevich and Nikolai Snopkov). The position of Igor Buzovsky, who was dismissed from office earlier, was officially abolished together with the reformatting of the ideological vertical management. The latter was partially delegated to the chief of staff and partially to Natalia Eismont. Two new positions were introduced: (a) an assistant for legislative and judicial matters and (b) an assistant for the financial credit system development.

² Burov, Nikolai. “Presidential Administration: Expecting a miracle”. *Belarussian Yearbook 2017*. Vilnius: Lohvinaū: 2017. 13–20. Print.

The new position of the assistant for the financial credit system development is probably meant to expedite the resolution of disputes between supporters of hawkish monetary policy (primarily the National Bank and partly the Council of Ministers) and advocates of a more dovish policy (post-Soviet directors), and to strengthen the mediation and management by the Administration in the monetary sector.

The introduction of the position of assistant for legislative and judicial matters presumably pursued a similar goal in the context of the development and execution of the ‘decree on parasites’, which caused a great stir.

However, these goals were not achieved to the full extent. The office of the assistant for the financial credit system development remained vacant until March 2018, and the position of assistant for legislative and judicial matters was transformed into assistant for strategic projects shortly after. The appointment of Alexander Kosinets (known for his tough management methods) to this position rather indicates that the country’s leadership stays committed to manual control instead of trying something new. Anyways, Chinese projects, which the government considered to be of high importance, were actually no longer supervised by Kosinets after deputy chief of staff Nikolai Snopkov was appointed chairman of the Belarusian part of the Belarus-China Intergovernmental Cooperation Committee on May 12. Before that, a part of Kosinets’ potential functions was transferred to assistant for general affairs Nikolai Korbut. It should be remembered that many key economic projects remain in the area of responsibility of Viktor Sheiman, head of the Department of Presidential Affairs. Therefore, the current position of Kosinets is apparently much weaker than that of Sheiman when the latter held the office now occupied by Kosinets.

The optimization of the Administration started in 2017 was just a part of a new round of optimization of the state machinery. Like the first round that took place in 2013, it basically aims at staff cuts. The current optimization has largely affected the army and the police, and this probably is its most significant aspect.

At a special meeting on optimization held March 17, it was in fact recognized that it has a limited potential in the current conditions, and that government agencies of small towns,

districts and township and village councils were not subject to redundancy.

This was indirectly recognized in the president's annual address to the nation and the parliament. Lukashenko publicly admitted that, despite previous optimization, the prestige of the civil service was not enhanced.³

On May 22, Kachanova showed Lukashenko an optimization schedule, December 1 being the deadline. On June 20, House Speaker Vladimir Andreichenko made a report on the lower chamber optimization. On September 14, the Administration started monitoring the optimization of the Ministry of Foreign Affairs, which, to some extent, hit Foreign Minister Vladimir Makei.

A meeting on optimization was held in the Administration on October 24. All this shows that the Administration tried to take into account mistakes made during the previous optimization and smooth out negative effects of another reduction in the number of civil servants. Despite this understanding and the mentioned meetings, no fundamentally new approaches to optimization were worked out. Judging by the available information, salaries of civil servants were raised, but, predictably, not much.

Reforms and liberalization

The optimization coupled with the economic recession and mass protests against the 'decree on parasites' that shook the country in winter and spring 2017 once again catalyzed long lasting backstage debates on a substantial reform of the state administration system. As before, the Administration, which is always following the president's will, is one of the main opponents of this process. On April 21, in the address to the nation and the parliament, Lukashenko disconcertingly spoke against the "reformers", who "are few at the helm of state, but it would be better if there were fewer of them."⁴

³ "State of the Nation Address by Belarus President." *The Official Internet Portal of the President of the Republic of Belarus*. 21 Apr. 2017. Web. 30 Mar. 2018. <http://president.gov.by/en/news_en/view/state-of-the-nation-address-by-belarus-president-16060/>.

⁴ Ibid.

Criticizing the reforms and reformers, the Administration and some other government bodies took the lead in business liberalization. Deputy chief of staff Valery Mitskevich headed the task group on liberalization. His mandate was confirmed at a meeting with the Administration leadership on June 23. Another former member of the Administration, Vsevolod Yanchevsky, actively lobbied the development of the IT sector as a driver of the country's economic development. Simultaneously, the Administration gave direct orders to prevent the development of full-fledged market relations in Belarus.

This topic was addressed again on May 2 at a meeting on improving the legal regulation in certain areas of business. The Administration and the government were instructed to deal with reforms extremely cautiously. In fact, the Administration is supposed to preserve the existing political system, thus ensuring the economic viability when the Belarusian socio-economic model is dying. To some extent, the Administration has been looking for a solution since the 2011 crisis. Decree No.7 'On the Development of Entrepreneurship' was signed on November 23.

The elevation of the status of political parties and, possibly, establishment of a full-scale party system in the country is, perhaps, the most intriguing matter when it comes to political reforms. The Administration was working hard on that throughout 2017. As noted in the extensive scientific literature, a transition to partisanship is a common stage of the evolution of most authoritarian regimes. There is no doubt that the Belarusian political establishment would welcome such a transformation, although there are many opponents to it.

Nonetheless, events of 2017, especially two demonstrative postponements of the congress of the NGO Belaya Rus ('White Russia'), which, according to some sources, could transform into a political party, showed that the Administration's decision was negative.

War on 'parasitism'

Throughout 2017, the Administration was closely monitoring the execution of decree No.3 'On the Prevention of Social Parasitism.' It was said that the goal was to re-structure the social

contract towards its reduction and tightening in relation to the traditional electorate of the president.⁵ For the Belarusian authorities the decree is a matter of principle, and yet the outbreak of protests forced them to retreat. The decree was suspended on March 9. The Administration was set a laborious task to retailor the decree having its initial purpose maintained. There were no original ideas in the Administration, and the emphasis was put on the handling of citizens' appeals, which was pointed at as a weak link in the work of the Administration and local authorities.

This issue was addressed at meetings held February 6 and March 9, during a working trip to the Mogilev region on March 21, at a session of the Administration Board in March and at a meeting on public security, at a meeting on April 7, during the address to the nation and the parliament on April 21, etc. On October 24, the plan to compile a unified database of citizens' appeals throughout the country was announced together with the task to systematically monitor public sentiment.

These efforts resulted in the predictable absence of any viable version of the decree. The problem was shelved, but not resolved.

Conclusion

In 2017, the Administration continued its grueling work to adapt to new conditions, which does not allow preserving the Belarusian socio-economic model in its old form. The top of the ideological vertical was reformatted partly because of the internal fight against Vsevolod Yanchevsky, who was growing politically stronger at that time, as well as the search for a new ideology of independent development, which has been more and more clearly manifested since 2014. Further attempts were made to give the presidential assistants-inspectors a higher status, and effectuate patchy economic reforms under the strict control of the Administration and president's minions.

Politically, the Administration sticks to strictly conservative, if not to say reactionary positions, rejecting any proposals

⁵ «Обновленный Декрет №3: вопросов больше, чем ответов.» *Наше мнение*. 21 Apr. 2017. Web. 30 Mar. 2018. <<http://nmnby.eu/news/analytics/6400.html>>.

to reconsider them, and this situation will hardly change in 2018.

The second major optimization of the state machinery and a significant revision of the social contract topped the 2017 agenda. Despite the close attention to these issues on the part of the Administration, one can hardly expect these tasks to be fulfilled, at least satisfactory, in the near future.

GOVERNMENT: LIBERALIZATION LIGHT

Polina Makarova

Summary

For the Belarusian government the year 2017 was a year of ambitious plans to remove barriers to business, engage experts in drafting bills, and carry out a large-scale ‘optimization’ of the state machinery. On the other hand, the year was marked by mass protests against decree No.3, the most questionable in its essence, ill-conceived in terms of execution tools, and massive in terms of encompassing normative legal acts in the history of Belarus.

Efforts made to remove barriers to private entrepreneurship were a government’s matter-of-course response to the problems of hidden unemployment and poverty in the regions that could no longer be ignored. The shift of attention to the so-called new areas of the economy – primarily the IT industry – was logical, given the paralysis of public sector reform. According to this new economic strategy, the private sector of the economy as a whole and the IT industry in particular will cover the costs incurred by state-owned enterprises.

Trends:

- The dominance of political over economic conditioning persisted: directive increases in wages outstripped economic growth;
- NGOs remained a junior and unequal partner in public consultations with the state regarding economic policy issues;
- The state administration reform came to nothing but insignificant staff cuts in government agencies that did not change the system of assigning objectives and performance evaluation.

Public consultations, light version

Mass protests against the decree on ‘social parasites’ across the country, including district centers, which, unlike the capital and regional centers, have never been too much inclined to protest, in many respects determined the vectors of government’s efforts in 2017. In order to bring down public outrage, the authorities resorted to the crackdown scenario on the Freedom Day, March 25. Unleashed police brutality and hectic mass arrests alerted even the most loyal European politicians. Both the government and the Presidential Administration drew conclusions from what they saw, one of them is that the habit of testing legislative

initiatives right on people without a preliminary assessment of possible impacts can exhaust the patience of Belarusian society, which seemed to be able to tolerate anything.

The head of state voiced dissatisfaction with the performance of the country's major think tank – the Information and Analytical Center under the Presidential Administration – as far back as February. ‘It is supposed to be the best expert analytical center. What analysis they produce there? What kind of studies? Who needs them?’ he said.¹ Following the mass protests, at a meeting on the development of Belarusian science, Lukashenko stressed the need for consultations with experts in developing normative legal acts that was an apprehensive response to the fiasco of the botched ‘decree on parasites.’²

The univocal public rejection of decree No.3 produced two main results. Firstly, the decree was de facto frozen and only reappeared profoundly revised in January 2018.³ Secondly and more importantly, state bodies received an incentive and a kind of *carte blanche* for holding consultations with the public and experts when drafting regulations. A number of interdepartmental advisory groups, which, along with representatives of state bodies, included experts and heads of some public organizations, were formed in early 2017.

It became known in spring 2017 that, on behalf of the president, the government was working on a package of documents (presidential decrees) meant to legislatively define minimum requirements for doing business, give way to private entrepreneurship and improve the investment climate. According to Prime Minister Andrei Kobyakov, Lukashenko also instructed to

¹ «Лукашенко недоволен работой некоторых организаций Администрации президента.» *БелаПАН*. 6 Feb. Web. 28 Mar. 2018. <<http://belapan.com/archive/2017/02/06/887405/>>.

² «Президент: необходимо активнее привлекать ученых к решению важнейших государственных задач.» *БелТА*. 7 Apr. 2018. Web. 28 Mar. 2018. <<http://www.belta.by/president/view/prezident-neobhodimo-aktivnee-privlekat-uchenyh-k-resheniju-vazhnejshih-gosudarstvennyh-zadach-241633-2017/>>.

³ «Сбор с тунеядцев отменен. Президент подписал декрет №1.» *TUT.by*. 25 Jan. 2018. Web. 28 Mar. 2018. <<https://finance.tut.by/news578412.html>>.

organize a public discussion of the draft decrees in April-May.⁴ The president also stated the need to increase the role of the Presidential Administration's Entrepreneurship Council. Sitting in the Council were more than 20 persons, large businessmen among them, including those who fell from grace recently. In October, 60% of its members were replaced, and the Council was given the right to send proposals to state bodies. Its budget remained unspecified, though. It also remains unclear how to make government agencies respond constructively to the Council's proposals.

The appointment of Irina Kostevich as minister of labor and social protection in March 2017 gave rise to some hopes for a more substantiated social policy. She held high offices in the National Statistics Committee for almost a decade and served as deputy minister of economy for two years. Some experts expected her to take first steps in creating an adequate system of protection and support for the unemployed, first of all by increasing unemployment benefits. In early 2017, the ministry made recommendations on the development of the unemployment insurance system to meet the 'market requirements'. Those who lost their jobs were supposed to be paid up to 60% of their previous wages while looking for new jobs. However, as soon as May, Kostevich told parliamentarians that unemployment benefits would not be raised until the government approves the unemployment insurance bill.

Narrow-scope consultations with the public and experts also covered a number of other social policy areas, in particular planned innovations stimulated by the support of international institutions. The Ministry of Economy announced consultations with commercial banks on a women's entrepreneurship development program, and the Ministry of Labor and Social Protection initiated the formation of an ad hoc group to study paternity leave options. Along with state officials, the group included representatives of trade unions, employers' associations and women's organizations.

⁴ «Кобяков: Проект декрета “О развитии предпринимательства и исключении излишних требований, предъявляемых к бизнесу” предусматривает кардинальное изменение механизмов взаимодействия государства и бизнеса.» *БелаПАН*. 20 June Web. 28 Mar. 2018. <<http://belapan.by/archive/2017/06/20/908528/>>.

Lively interest was aroused by the new composition of the public council at the Ministry of the Interior announced in November 2017.⁵ The new council was composed of representatives of NGOs (from Gender Perspectives to the Belarusian Society of Hunters and Fishers) and the leadership of the High-Tech Park.

Optimization, light version

Former vice-premier Natalia Kachanova was appointed presidential chief of staff in early 2017. She was given several conflicting assignments: renewal (recruitment of new people), optimization (understood as the dismissal of those already working) and de-bureaucratization (a reduction of state bodies' functions and transfer of some of them to enterprises).

The situation with the renewal and de-bureaucratization was not made clearer in 2017, although a task group chaired by Kachanova was formed to simplify administrative procedures for business. The optimization seems to have acquired its usual meaning of downsizing.⁶

By May, judging by the chief of staff's reports, optimization took place in the Administration itself, and only detailed plans were drawn up in relation to other state bodies and organizations. The president categorically forbade raising civil servants' salaries before the optimization is completed. This suggests that pay rises from the funds saved as a result of staff cuts (as in 2014) was the main goal of the optimization, although de-bureaucratization and enhanced performance were officially prioritized.

As soon as November, according to the available statistics, the nominal salaries in state administration bodies increased

⁵ «Состоялось заседание общественного совета при МВД в обновленном составе.» *Министерство внутренних дел РБ*. 14 Nov. 2018. Web. 28 Mar. 2018. <<http://mvd.gov.by/main.aspx?guid=254273>>.

⁶ «График совместных заседаний аналитических групп по упрощению административных процедур.» *Бизнес-союз предпринимателей и нанимателей им. Профессора М.С. Кунявского*. Web. 28 Mar. 2018. <<http://bspn.by/fs-po-uproshcheniyu-administrativnykh-protsedur/1397-grafik-sovmestnyh-zasedanj-analiticheskikh-grupp-po-uproshheniyu-administrativnyh-procedur>>.

37.1% and real ones 30.8%.⁷ The correlation between the rise and the reduction in the number of officials remains nontransparent, although some assumptions can be made, for example, judging by such documents as the Council of Ministers' resolution on measures to optimize the government agencies system issued in May,⁸ according to which employees in some positions in state organizations lost the status of civil servant and, therefore, were not accounted as such.

Some government agencies reported on optimization individually. Foreign Minister Vladimir Makei said the MFA personnel were reduced 30% and the staff of embassies and consulates by 15%.⁹ It remains a mystery how this reduction is supposed to enhance their efficiency and the de-bureaucratization of the Foreign Ministry and other agencies.

Economic liberalization, light version

The economic bloc in the government traditionally worked in two actually different directions. The first task set by the head of state in March was to achieve an average wage of 1,000 Belarusian rubles by the end of the year. The second one was to ensure sustainable economic growth by the end of the year.

Kostevich described the first task as 'hard' and linked the increase in wages with the adoption of more effective management practices. Economy Minister Vladimir Zinovsky reminded that this target would be impossible to achieve without higher labor productivity and boosted exports of quality commodities.

According to the forecasts for 2018 that the Ministry of Economy made in May, the second task seemed more feasible, although all growth scenarios were based on the assumption

⁷ «Зарплаты чиновников госуправления демонстрируют рекордный рост.» *TUT.by*. 25 Oct. 2017. Web. 28 Mar. 2018. <<https://finance.tut.by/news566501.html>>.

⁸ «Оптимизация госаппарата в действии. Каких работников исключат из числа госслужащих.» *TUT.by*. 31 Aug. 2017. Web. 28 Mar. 2018. <<https://finance.tut.by/news558300.html>>.

⁹ «Центральный аппарат МИД Беларуси по итогам оптимизации сокращен на треть.» *БелТА*. 18. Jan. 2018. Web. 28 Mar. 2018. <<http://www.belta.by/politics/view/tsentralnyj-apparat-mid-belarusi-po-itogam-optimizatsii-sokraschen-na-tret-284996-2018/>>.

that oil prices will stabilize, Belarus will enter into advantageous economic agreements with Russia, and Belarusian products will be in higher demand in foreign markets.¹⁰

Almost all these factors are beyond control of the Belarusian government, being just a reflection of external economic trends. And yet, according to independent experts, systemic economic reforms can result in a rise in wages provided that there will be a favorable market behavior, but wage hikes can quickly bring down the modest achievements in the economy.

It seemed early in the year that the economic bloc would primarily focus on these two tasks and Lukashenko's order to control prices, but one more important task was outlined closer to the end of the second quarter: to prepare a package of decrees aimed at simplifying requirements to businesses and fostering entrepreneurship. Two expert groups working on the decriminalization of economic risks held a joint meeting in early summer. The first group was working on proposals to decriminalize economic risks of economic entities, and the second one was working on improving administrative liability provisions. Along with civil servants, both included representatives of business unions and industrial associations.

Concurrently, business associations proposed to establish the institution of an ombudsman to defend the rights of entrepreneurs and resolve issues that arise in the relationship between businesses and the state. However, despite the demands of international organizations (including current and potential creditors), business liberalization in Belarus cannot yet go that far and make the business community and the state equal partners. It is no coincidence that at the end of the year, in response to the reminder of the promise to transform the Entrepreneurship Council under the Presidential Administration into the institution of business ombudsman, Lukashenko said that there was no need for such an institution, since he is the best ombudsman himself.¹¹

¹⁰ «Минэкономики: Каждый из сценариев прогноза на 2018 год предполагает рост экономики.» *БелаПАН*. 19 May 2017. Web. 28 Mar. 2018. <<http://belapan.by/archive/2017/05/19/903760/>>.

¹¹ «Лукашенко считает, что в Беларуси есть уполномоченный по проблемам предпринимательства — он сам.» *TUT.by*. 22 Dec. 2017. Web. 28 Mar. 2018. <<https://news.tut.by/economics/574228.html>>.

The package of decrees on stimulating entrepreneurship was signed in late November. Decree No.7 ‘On the Development of Entrepreneurship’ was the main one, although genuine interest was also stirred up by decree No.8 ‘On the Development of the Digital Economy’ signed later in December, which provides for significant privileges for the IT sector and offers unprecedented opportunities for companies dealing with crypto currencies.

According to the statement made by the economic leadership of the country right after the decrees were endorsed, the government expects that the effect of the new regulations will not be long in coming and will stimulate economic growth as soon as the first half of 2018.¹² International and independent experts thus warn against the intent to immediately take advantage of the expected fruits of business emancipation, and to issue directives on increases in wages and investments.

Conclusion

In 2017, the government set itself ambitious tasks, primarily in the economy. The orientation towards new drivers of economic growth (entrepreneurship and information technologies) is expected to remove the urgency of such problems as the un-reformed public sector of the economy and, consequently, its inability to fulfill its social obligations (employment above all). However, it is still possible that the political leadership will want to reap the fruits of economic reforms before these fruits ripe, and, by doing so, will once again jeopardize the business and investment climate in the country.

In our opinion, the main objectives of the government in 2018 are (1) reconsideration of approaches to social policy, which should play the role of a buffer in the period of unsustainable economic growth and reduction of state support for unprofitable enterprises, (2) alleviation of social tension in society through expert and public discussions of decisions to be made, and (3) public administration reform with a view to really enhance the performance of public sector entities.

¹² «Замминистра экономики ожидает активизацию предпринимательства в связи с принятием декрета № 7.» *Naviny.by*. 1 Dec. 2017. Web. 28 Mar. 2018.

NATIONAL DEFENSE: TECHNOLOGICAL ACHIEVEMENTS AND POLITICAL FAILURES

Andrei Porotnikov

Summary

For the second year in a row, Belarus was losing its status of Russia's closest defense partner and was seeking to reduce its dependence on Russia in the defense sector. Political and military relations with Ukraine were getting worse throughout the year. The dialogue with NATO was on the verge of freezing by the end of the year. At the same time, there was a very rapid expansion of Belarus' defense cooperation with China, Kazakhstan and other states.

The army continued preparing for responding to hybrid threats. Combat practices focused on rapid mobilization, the ability to act in isolation from the main forces, interdepartmental interaction and operations in populated areas. The Veishnorja story and deaths of conscript soldiers undermined the credibility of the military leadership both on the part of society and the political leadership of the country.

Trends:

- The foreign policy background of Belarus' national security deteriorated;
- Belarus and China opened up new horizons in defense cooperation;
- Priority in the armament program was given to missile weapons;
- The image of the army was tarnished by failures of the Defense Ministry leadership.

Defense industry: eliminating the dependence on the Russian market

In 2017, the national military-industrial complex (MIC) was working hard to step up international cooperation.

Defense-related matters were addressed at the highest level in talks with Egypt, Sudan, Serbia, Georgia, Vietnam, and Azerbaijan. Belarusian military-technical cooperation commissions and committees held joint sessions with the UAE, Vietnam, Turkey, and Cuba. Belarus and Kazakhstan were active in this area. Minsk and Astana obviously attach great importance to defense. Chairman of the State Military-Industrial Commit-

tee of Belarus Oleg Dvigalev met with Minister of Defense and Aerospace Industries of Kazakhstan Beibut Atamkulov three times since July 2017.¹

Traditionally, relations with China have been showing increasing dynamics in recent years. When meeting with Chinese leader Xi Jinping in May, Alexander Lukashenko stated Belarus' interest in joint designing and manufacturing weapons.² Accepting a high-ranking Chinese delegation in August, Lukashenko repeated the proposal to set up joint production of military hardware in Belarus, including in the Great Stone Industrial Park.³

China showed interest in the proposal. Delegations of Chinese departments in charge of military-technical cooperation (Equipment Development Department of the Central Military Commission and State Administration for Science, Technology and Industry for National Defense) and heads of defense industry corporations visited Belarus several times to look at Belarusian enterprises and assess the business climate in the country. The represented companies manufacture products that are of the greatest interest to Belarus: UAVs (including strike ones), wheeled armored vehicles, small and medium-range air defense systems, high-precision weapons and ammunition.

At the military exhibition Milex 2017 held in May 2017, Belarus and China arranged joint booths for the first time to showcase Chinese prototypes of unmanned aircrafts planned for joint production in Belarus.

On September 27–29, Minsk hosted the first session of the Belarusian-Chinese joint armaments and materiel task group of the Coordination Committee for Cooperation.

Meanwhile, efforts to reduce defense cooperation with Russia were made, as it wants to set up its own production of

¹ «Беларусь и Казахстан обозначили перспективные направления двустороннего военно-технического сотрудничества на ближайшую перспективу.» *Госкомвоенпром*. 29 Nov. 2017. Web. 7 Mar. 2018. <http://www.vpk.gov.by/news/comm_news/6122/>.

² “Meeting with China President Xi Jinping.” *The Official Internet Portal of the President of the Republic of Belarus*. 16 May. 2017. Web. 7 Mar. 2018. <http://president.gov.by/en/news_en/view/meeting-with-china-president-xi-jinping-16199/>.

³ «Беларусь за китайской стеной.» *Belarus Security Blog*. 07 Aug. 2017. Web. 7 Mar. 2018. <<https://bsblog.info/belarus-za-kitajskoj-stennoj/>>.

items produced in Belarus. The commentary titled ‘Defense Sector Concerned about Tension with Russia’ shown on ONT TV channel said that it was due to the strained relations between the leadership of the two countries.⁴ Media reports on Belarusian–Russian defense cooperation problems are indicative of the alarming situation and nothing suggests that things will improve in the future.

New weapons: still not enough

Belarus’ defense industry carried out just a part of the plans made for 2017. For example, a concept of the national air defense system was shown at Milex-2017⁵, but it is unclear when it would be finalized. The upgraded multiple rocket launcher Polonaise with new China made missiles 300 km in range was tested in October 26 in Belarus.

The Belarusian army went through irregular rearmament by means of procurement of single pieces of materiel. Supplies with new aircrafts drew the most attention. In April, Belarus received six new Mi-8 MTV-5 helicopters. In June, Russian sources said there was an agreement to supply 12 heavy-duty multi-functional Su-30SM fighters to Belarus, but the deal was preliminary postponed until 2019.

The army is preparing for a hybrid war

A traditional comprehensive combat readiness check was conducted in February 2017. The traditional inspection had several distinctive peculiarities.

First, a great deal of the operations, such as landing from Il-76 strategic airlifters and pontoon spanning was practiced at night.

⁴ «Оборонный сектор обеспокоен напряжением в отношениях с Россией.» *ОНТ*. 07 Mar. 2017. Web. 7 Mar. 2018. <http://ont.by/news/our_news/poligon-ekonomicheskikh-dejstvij-oboronnij-sektor-obespokoен-napryazheniem-v>.

⁵ «Представлен концепт национального ЗПК.» *Belarus Security Blog*. 21 May. 2017. Web. 7 Mar. 2018. <<https://bsblog.info/predstavlen-koncept-nacionalnogo-zrk/>>.

Secondly, the main goal of the inspection was to assess the capacity of recalling reservists, deployment of newly formed units, and staffing with junior rank officers. The first ever Central Reserve Training Department was formed. Enlistment offices provided up to 900 reservists a day. Sometimes, it only took two hours to notify those bound to military service of the recall and deliver them to assembly stations. Around 3,000 people were called out for training. This is the largest number in the past seven years or over.

Like many times over the past few years, the Belarusian military confronted simulated illegal armed groups heavily equipped with armored vehicles.

Combat training activities focused on military operations in conditions of a so-called ‘hybrid war’. The exercises stood out for their geographical scope of the hostilities theater; involvement of interdepartmental forces; logistical and technical support in isolation from the points of permanent deployment in conditions of constant attacks on transport highways; practicing of assault and defense actions with the use of artillery and sharpshooters in populated localities; protection of important infrastructure facilities; screening of the population in order to identify combatants, and search and elimination of sabotage-reconnaissance groups.

The fight against the mythical militants involved the air force, particularly L-39 training planes, Yak-130 operational trainers, and Su-25 strike fighters to search for the targets and make massive and localized strikes on them, including those from extremely low altitudes.

The foreign policy background is deteriorating

The foreign policy background of national defense was going worse throughout the entire year. Belarus was under pressure from several directions: the West, Ukraine and Russia.

In February, Minsk was subjected to several informational and psychological attacks. First, Russian media claimed that Belarus was about to withdraw from the Collective Security Treaty Organization (CSTO) and the Eurasian Economic Union (EEU). Then, after Russian blogger Alexander Lapshin was

extradited to Azerbaijan on the charge of illegally visiting the Nagorno-Karabakh region, Armenian politicians, including members of the ruling party, made harsh statements regarding Belarus and called on to expel Belarus from the CSTO.

Ukrainian officials accused Belarus more than once of the lack of transparency of military activities and letting Russia build up its military presence in the country.

The military parade on July 3 in Minsk was quite indicative. For the first time in recent years, Russia's participation in the event was limited to a few planes in the air.⁶ Earlier, from 2011 to 2016, Pskov airborne troopers, who participated in the invasion of the Donbas region in 2014, marched together with the Belarusian military. The military parade of 2016 involved a Russian air force unit stationed in the Rostov region and in the Crimea. Most likely, Minsk decided to reconsider Russia's participation to prevent political demarches of Ukraine.

West-2017: the legend of Veishnoria

The Belarusian-Russian strategic exercise West-2017 dealt a blow to the reputation of Belarus.

Western neighbors of Belarus and Ukraine regarded exercises that took place in the territory of Belarus and other large-scale military training activities of the Russian army in August-September as parts of one process, and the Belarusian leadership failed to separate them, neither in terms of defense, nor politics. Fears spread in the Western press that the Kremlin can use Russian troops deployed in Belarus to destabilize the situation in the country and/or for provocations against Ukraine and the Baltic States during or after West-2017. Belarus' reputation was damaged by the script of the exercise—Belarusian-Russian joint operations against the fictitious country of Veishnoria located in the north-western part of Belarus with a predominantly Catholic population and a significant Polish minority. The Ministry of Defense turned out to be unprepared to ensure proper working

⁶ «Военный парад в Минске: на что стоит обратить внимание.» *Belarus Security Blog*. 04 Jul. 2017. Web. 7 Mar. 2018. <<https://bsblog.info/voennyj-parad-v-minske-na-cto-stoit-obratit-vnimanie/>>.

conditions for Western and Ukrainian media during the exercise. The ministry was also unable to promptly and convincingly react to the disinformation of the Russian side concerning the redeployment of a non-existent tank brigade from the Moscow region to Belarus.⁷

In short, Russia managed to make the joint exercise an act of intimidation of the West, and Belarus' attempts to counter this were not convincing enough.

The Kremlin succeeded in intimidating its neighbors using Belarus, but it did not strengthen the trust between the two countries. Russian top officials even refused to oversee the part of the exercise, which took place in Belarus.

Reputational disaster in the Defense Ministry

The Ministry of Defense was repeatedly subjected to public criticism throughout the year, particularly for the Victory Day parade and West-2017. Despite criticism on the part of society and the president, who spoke in March about poor discipline and incomppliance with law in the army, it remained fenced out as usual. The death of conscript Alexander Korzhych changed the situation. The ministry first tried to conceal the incident and denied the criminal cause of the death, and then, when mass violations in the unit where Korzhych served went public, the ministry tried to muffle the outrage.

The ministry reacted to the death of the soldier two weeks after the body was found and only after President Lukashenko expressed his condolences to the soldier's family. Defense Minister Andrei Ravkov confined himself to set phrases through the state media.

Faced with public outrage, the Investigative Committee of Belarus opened dozens of criminal cases on offences against law in the army. Several military middle-rank commanders were removed from their positions and some of them were later dismissed from service.

⁷ «“Запад-2017”: раз – провокация, два – провокация.» *Belarus Security Blog*. 15 сентября 2017. Web. 7 Mar. 2018. <<https://bsblog.info/zapad-2017-raz-provokaciya-dva-provokaciya/>>.

Korzhych's death revealed a number of negative trends in the army associated with violations of the rights of conscripts and officers' negligence. The public wanted Minister Ravkov out of office and gathered over 13,000 signatures for his dismissal, which was an all-time record for Belarus.

Conclusion

The development of domestic production of various types of missile weapons remains a priority for the leadership of Belarus. A Belarus made medium-range air defense system with missiles of domestic manufacture will make it possible to replace Buk and S-300 that will reduce the technological dependence on Russia in this critically important area.

The year 2018 will show whether there is political will and economic reason for setting up Chinese production facilities in Belarus. Both sides have been demonstrating mutual interest so far.

Belarus' politico-military relations with NATO, Ukraine and Russia are in a state of crisis. The parties are obviously annoyed with each other, although they try to hide it. They have no one to blame for this situation but themselves, though.

The Belarusian military-political leadership does not see a threat of a major war in the region, and is preparing for a so-called 'hybrid war'.

Despite loud promises, Belarus' activities during its presidency in the Collective Security Treaty Organization were rather meagre. This only confirms a degradation of the CSTO as a security tool for Minsk. This should be viewed as one of the manifestations of the general crisis in Belarusian-Russian relations.

The reputation of the army cannot be restored without personnel changes in the Ministry of Defense. And this is another point of interest in 2018: will there be a reshuffle, and who exactly will be removed from office.

PARLIAMENT: DEPENDENCE OF DIVERSITY

Andrei Kazakevich

Summary

The activity of the Belarusian Parliament in 2017 remained under the decisive influence of the Council of Ministers and the President, the activity of deputies regarding initiation of legislation remained at a low level. In 2017, the deputies approved all the draft laws adopted for consideration, and also took note of all the Presidential decrees.

Changes in the composition of the Belarusian Parliament following the 2016 elections were predominantly symbolic and manifested in the form of a less monolithic character at the voting on individual draft regulations and a greater variety of political assessments in the media.

The peculiarity of the international activity of the Belarusian Parliament in 2017 was the holding of several European forums in Belarus within the framework of the OSCE Parliamentary Assembly, the Central European Initiative and the Conference of Regional and Local Authorities for the Eastern Partnership. This was a new manifestation of the escape from foreign policy isolation.

Trends:

- The Parliament remains completely dependent on the government and the President;
- Deputies interact more actively with the media and vote against a little more often;
- The national Assembly is actively involved in the organization and work of the European inter-parliamentary forms.

The 2016 parliamentary elections brought some changes to the composition of the Parliament. In particular, the share of representatives of political parties, which reached a record level since 2000 (16 out of 110 deputies), the Deputy corps has become much younger. Finally, two deputies from alternative political forces¹ were included in the Parliament. The increase in political diversity, however, had its own internal limitations – the Parliament almost did not include the heads of political organizations that received mandates, including the leadership of the ‘Belaya Rus’.

¹ For details see: Andrei Kazakevich. “Parliament: Changes without consequences? *Belarussin Yearbook 2017*. Vilnius: Lohvinaŭ: 2017. 37–44. Print.

The political experiment with the composition of the Deputy corps in 2017 manifested in the activities of the Parliament. At least once there was a vote against — at the consideration in the first reading of the amendments and additions to the law *On international treaties of the Republic of Belarus*, which concerns the reduction of the authority of the Parliament to ratify international treaties and delegate it to the President. Ten deputies openly did not approve of the draft law, which is much less than the majority, but at the same time it is quite atypical manifestation of parliamentary independence for Belarus². In addition, two alternative MPs who entered the Parliament at the last election — Hanna Kanapackaya and Alena Anisim — regularly appeared in the media, made visible law making and grassroots initiatives, spoke on international arenas forming a specific political alternative.

Nevertheless, all the changes in the Parliament's activities were rather symbolic. The relatively mass voting against remains an exception in the parliamentary activity, and alternative deputies, despite all the activity, remain far from the status of influential political figures and leaders of public opinion. The role of the Parliament remains unchanged and consists in the discussion and improvement of normative acts, which are sent by the Parliament to the Council of Ministers and the President. In the Parliament, laws may experience significant changes, but they cannot be rejected. MPs also perform a supporting role in the development of international contacts and public functions: commenting on political events and policy documents, talks in media, international travels and visits, social events, participation in economic and social public events, etc. Also duties of deputies are to work with people in their own constituency and explain state policy. In 2017, the most relevant was the work to reduce the social tensions caused by application of decree No. 3 *On the prevention of social dependency*.

As before, the leadership publicly voices and formulates its subordinate political position as a guide of political activity. An

² Быковский, Павлюк. «Парламент: у «спящего института» стало еще меньше полномочий. Депутаты как лишнее колесо в телеге.» *Наше мнение*. 30 Dec. 2017. Web. 26 May 2018. <<http://nmnby.eu/news/analytics/6515.html>>.

example would be the speech of the Chairman of the House of Representatives Uladzimir Andrejchanka at the opening of the third session on October 3, 2017: ‘It (the session) will be marked by the implementation of the requirements of the head of state...’, ‘The tasks set by the President of the Republic of Belarus in his address to the Belarusian people and the Parliament formed the basis of our legislative activity, study of law enforcement practice, participation of the Deputy corps in the implementation of the foreign policy of the state. All this allows us today to set priorities for the near future’.³

Such a description of the political role is typical for the leadership of the Council of the Republic. In particular, at the opening of the second session of the Council of the Republic on April 3, 2017, Mikhail Myasnikovich noted: ‘The task of the Council of the Republic, is to promote by all means the necessary legislative decisions, as well as the development of initiatives aimed at implementing the provisions of the election program of the President of the Republic of Belarus, distinguished Alexander Lukashenko...’⁴

Based on public representation, there is a certain functional division between the chambers of the Parliament. Deputies of the House of Representatives, as well as Chairman Uladzimir Andrejchanka, comment quite actively on current political processes, elections in Belarus and abroad, the foreign policy situation – relations with European countries and the United States, Belarusian-Russian relations. Mikhail Myasnikovich and other members of the Council of the Republic focus on economic issues. In 2017, the emphasis was on attracting investment, the development of new technologies, industry and regional development.

³ Андрейченко, Владимир. «Отвечая на вызовы времени.» *Палата представителей Национального собрания РБ*. 3 Oct. 2017. Web. 26 May 2018. <<http://www.house.gov.by/ru/interview-ru/view/otvechaja-navyuzovu-vremeni-2858/>>.

⁴ Мясникович, Михаил. «Совершенствование законодательства – важнейшие условия социально-экономического развития страны.» *Совет Республики Национального собрания РБ*. 3 Apr. 2018. Web. 26 May 2018. <<http://www.sovrep.gov.by/ru/speeches-ru/view/sovershenstvovanie-zakonodatelstva-vazhnejshee-uslovie-sotsialno-ekonomicheskogo-razvitiya-strany-177/>>.

Legislative activity

As before, the two Houses of Parliament remain dependent on the Council of Ministers and the Presidential Administration for their legislative activities. However, the role of the government in initiating laws has tended to increase in recent years. If, for example, in 2008, about 30% of the adopted regulations were initiated by the Presidential Administration, in 2017 this figure decreased to 11%.

During the second, (3 March – 26 April), and the third (2 April – 20 December) sessions the House of Representatives adopted 42 legislative acts in the second reading, 36 of them were initiated by the government and 6 – by the President⁵. None of the adopted normative acts was initiated by the deputies of the House of Representatives or the Council of the Republic. Another 52 acts were adopted in one reading – 4 reports on budget execution sent by the President, and the rest were international treaties and amendments to them, prepared for adoption by the Council of Ministers. In addition, 6 presidential decrees were taken into account.

Among the entire array of regulations that were considered by the House of Representatives in 2017 (acts that were adopted only in the first reading, the ones that were prepared for consideration, and the ones prepared for the second reading, etc.), three were initiated by the deputies of the House of Representatives. The first bill, prepared by the deputies, is an addition to the Code of administrative offences and the procedural Executive Codes on administrative offences. The document was submitted to the House of Representatives on August 8, 2016 and, thus, was initiated by the deputies of the House of Representatives of the last convocation. Other two draft laws of economic orientation were introduced by the members (chairpersons and Vice-chairs of relevant committees) during the third session, amendments to the law *On investment* (initiated by deputies Alexey Sokol and Uladzislau Shchepau), and amendments of the law *On privatization of state property*

⁵ Here and further it was calculated based on information about law making activity at the web-page of the House of Representatives. Web. 26 May 2018. <<http://www.house.gov.by/ru/zakonodatelnaya-dejatelnost-ru/>>.

(introduced by Leanid Brych and Sergey Zemchanka), but none of these laws was adopted in 2017.

In accordance with the established role of the Parliament in the legislative process, none of the normative acts was rejected in 2017, returned to the subject of legislative initiative, returned for revision or in some other way approved by the House of Representatives. Of the total number of projects, one bill was withdrawn by the government.

The activities of the Council of the Republic in 2017 also fully complied with the established political rule. The upper House of the Parliament approved all the bills adopted for consideration. During the second session, 34 laws were adopted in full, and 45 laws were adopted during the third session. All approved laws were signed by the President.⁶

International activity

A characteristic feature of the international activity of the Belarusian Parliament in 2017 was the organization and active participation in several European inter-parliamentary forums in Belarus. The meetings were a new manifestation of the escape from foreign policy isolation in relations with European countries and the promotion of Belarus as a platform for international communication.

On July 5–9, 2017, the 26th session of the OSCE Parliamentary Assembly was held in Minsk, which was considered as a foreign policy achievement for the whole country. According to official data, 57 parliamentary delegations took part in the session. The main topic was ‘Strengthening mutual trust and cooperation for peace and prosperity in the OSCE region’.

⁶ «Материалы по итогам работы второй сессии (3 апреля – 26 июня 2017 г.) Совета Республики Национального собрания Республики Беларусь.» *Совет Республики Национального Собрания РБ*. Web. 26 May 2018. <<http://www.sovrep.gov.by/uploads/files/itogi-6-2.pdf>>; «Материалы по итогам работы третьей сессии (2 октября – 20 декабря 2017 г.) Совета Республики Национального Собрания Республики Беларусь.» *Совет Республики Национального Собрания РБ*. Web. 26 May 2018. <<http://www.sovrep.gov.by/uploads/files/itogi-6-3.pdf>>.

Mass detentions and other measures of pressure on the political opposition, the media and public structures in February and March 2017 slightly worsened the overall atmosphere of the event, but the de-escalation of the political situation until June made it possible to remove most of the issues and the session was held in a certain format. From the very beginning, the session was considered as an important international event, and the role of Belarusian deputies was not leading – at the opening of the forum Alexander Lukashenko spoke, and the Ministry of foreign Affairs played a key role in the formal and informal organization. The Belarusian delegation consisted of six people. Four from the House of Representatives – Valery Varanetsky (Chairman of the Permanent Commission on international Affairs), Volha Popko (Deputy Chairperson of the Commission), Baleslav Pirshchuk (Deputy Chairman of the House of Representatives), Andrei Rybak (Chairman of the Permanent Commission on industry). Two representatives of the Council of the Republic were Sergey Rakhmanov and Sergey Gaidukevich (Chairman and Deputy of the Permanent Commission on international Affairs and national security).

The results of the session were quite positive for the Belarusian side. The draft critical resolution proposed by the delegates of Lithuania did not receive support. The milder Declaration *The Situation in Eastern Europe*, which, aside from Belarus, contained critical assessments of Russia and Azerbaijan, was adopted at the level of the Committee On Human Rights and Humanitarian Affairs, but when voting for the final Declaration of the 26th session of the PA OSCE did not gain the necessary number of votes and was not included in the final document. An interesting fact was that the vote for the final Declaration of the Belarusian delegation was not unanimous. Two delegates from Belarus (Sergei Gaidukevich and Andrei Rybak) voted against, thus expressing their disagreement with the point, which condemned Russia's policy towards Ukraine. It was officially announced that the deputies did not have a common position on the document and decided individually how to vote. Probably the organizers of the session from the Belarusian side sought to minimize the negative reaction of Russia to the Declaration by voting differently, at the same time preserving the positive attitude of the EU and Ukraine.

With the active participation of the Council of the Republic, a meeting of the Bureau of the Conference of Regional and Local Authorities for the Eastern Partnership, CORLEAP, was held in Minsk on May 22, 2017. The reason was that from November 2016 to September 2017 Belarus was a co-chair of this organization. The main official issue of consideration was the problem of energy efficiency of regional authorities. During the meeting, the problems of regional development were discussed, and the EU representatives spoke in favor of expanding the powers of local councils in Belarus.⁷ On September 12, in Brussels, Chairman of the standing Committee of the Council of Regional Policy and Local Self-government Alexander Popkov co-chaired the annual conference of CORLEAP, the main purpose of which was to share the experience of local self-government of the EU and the Eastern Partnership countries and the problem of sustainability of regional communities and local authorities.

Due to the fact that Belarus chaired the Central European Initiative (CEI) in 2017, a meeting of the Parliamentary Committee of the parliamentary dimension of this organization was held in Minsk on 30 May 2017. The meeting was attended by 12 delegations (the total number of states participating in the initiative was 18). The main topic of the meeting was ‘Intellectualization of the economy in the CEI region: innovative production, management, human potential’, also the economic development of the region, information technology and human capital development were discussed. In addition, on November 28, 2017, a meeting of the CEI Parliamentary Assembly was held in Minsk, which was attended by 12 parliamentary delegations. The main official topic was: ‘Digital technologies under the conditions of geopolitical security’.

The international activity of the Belarusian Parliament took place in more usual formats. Representatives of the House of Representatives and those of the Council of the Republic took part in meetings of the Forum of regions of Belarus and Rus-

⁷ «Реализация политики добрососедства будет способствовать достижению основных целей ВП – Попков.» *БелТА*. 22 May 2017. Web. 26 May 2018. <<http://www.belta.by/politics/view/realizatsija-politiki-dobrososedstva-budet-sposobstvovat-dostizheniju-osnovnyh-tselej-vp-popkov-248542-2017/>>.

sia (June 28-30), the Parliamentary Assembly of the Union of Belarus and Russia, the CIS Interparliamentary Assembly, the CSTO Parliamentary Assembly and other Interparliamentary organizations. In 2017, the Belarusian Parliament held bilateral meetings with colleagues from Turkey, Latvia, Azerbaijan, Israel, Georgia and other countries.

Conclusion

It can be assumed that the experiment with pluralism will continue and the deputies in different forms will demonstrate political diversity, comment on political events and otherwise make the activities of the Parliament more public. The role of the two chambers in the discussion of laws may also grow and the number of draft laws initiated by the deputies will slightly increase. At the same time, there will be no redistribution of real powers and political weight for the benefit of Parliament. At the moment, there are no trends for personnel changes in the leadership of the House of Representatives and the Council of the Republic.

The international activity of the Parliament, as before, will depend heavily on the general foreign policy environment. The activity will be more directed to the European side, where there are more mechanisms and new communication platforms for the Parliament.

LOCAL AUTHORITIES: LIGHTNING CATCHER FOR POPULAR FRUSTRATION

Dmitry Kukhlei

Summary

The main trends in the local government system were determined by the preparation for the 2018 local elections and mass protests against the 'decree on social parasitism.' Most likely, President Alexander Lukashenko was about to complete a large-scale personnel reshuffle in district executive committees started in early 2017 before the beginning of the election campaign. However, because of the protests, he had to take a break for three months.

The local vertical faced staffing difficulties when looking for candidates for village councils that caused a gradual reduction in the number of administrative units in rural areas. Nevertheless, the local administrations managed to provide the required number of nominees to fill the vacancies in local councils, the number of which has been declining in recent years. Although members of the councils do not command much respect in local communities, the Belarusian leadership does not plan on amending the legislation in this area, elevating the status, or enhancing the competencies of the councils. Apparently, local administrations are not eager to change anything, either feeling comfortable when the whole power is concentrated in the higher instances, while the councils remain some sort of clubs, to which representatives of regional elites are elected.

Trends:

- The role of the local authorities is increasing in terms of securing jobs for the population, since this remains the main criteria for assessing the performance of the power vertical;
- A new system of checks and balances is being created in rural areas to counterbalance the influence of large agricultural enterprises given that village councils have little political heft;
- The presence of all sectors of the economy in local councils is maintained proportionate to their influence on the regional economies;
- The liquidation of village councils slows down as it is resisted by the rural communities backed by the local authorities.

Local councils: ideological and economic functions

The government sees local administrations as a kind of lightning catcher for popular discontent. Among other things, the Belarusian leadership tasks the local authorities to reduce the

number of people's appeals. At the same time, after the spring mass protests and in view of the local elections, the government pays much attention to feedback from the population, especially when it comes to open manifestations of public anger.

While the national resource base is shrinking, the Belarusian leadership counts on greater responsibility of the locals for their territories. The national government declares its intention to expand the capacity of territorial self-government agencies, which do not have any power, but stimulate public activity. This, among other things, leads to an expansion of opportunities for local communities' initiatives within the territorial public self-government councils. In rural areas, the national authorities placed an extra burden on village heads in terms of monitoring of state facilities and public safety. In turn, the delegation of additional responsibilities together with the cuts of budget spending for rural areas causes tension between the local authorities, state organizations and the national leadership.

The local vertical continues efforts to raise funds under EU projects. To this end, local administrations are trying to substitute civil society, the involvement of which is required by EU-funded programs, with pro-government public associations. The administrations are quite successful in imposing their terms on the European Union and preventing the engagement of independent NGOs in grant programs. For example, district executive committees acted as the main organizers of competitions of local projects under the EU-UNDP project and, consequently, influenced the selection of contenders, who, certainly, were only found in pro-government public associations, state-run institutions and local administrations.¹ Members of local councils want to participate in international support programs, including that through the formation of associations of local councils. So far, such associations are operating in the Grodno and Mogilev regions, but this practice will most likely spread to other regions in the coming years.

¹ «Список победителей основного конкурса местных инициатив в рамках проекта ЕС-ПРООН “Содействие развитию на местном уровне в Республике Беларусь”.» *Проект ЕС/ПРООН «Содействие развитию на местном уровне в Республике Беларусь»*. Web. 6 Mar. 2018. <http://ld-inbelarus.by/download/spisok_pobediteley.pdf>.

Local administrations of the border regions show interest in increasing the time and areas, to which the visa-free regime applies. Their position is essential for further visa liberalization. In the composition of the local administrations, the police (regional offices of the Interior Ministry), who were initially skeptical of the visa-free regulations, are subordinate to the leadership of the regional executive committees. The visa-free regime brings extra revenues to local budgets and contributes to the infrastructural development and creation of new jobs in the border areas.

President Lukashenko shifted the responsibility for the enforcement of the decree on ‘social parasites’ from the tax authorities to local administrations in order to strengthen the ideological component in the community outreach and greater management coordination in the regions. In 2017, the Belarusian leadership was polishing provisions of the notorious decree. Its updated version was approved in early 2018. The president placed the main burden related to the enforcement of the updated decree on executive committees and councils, although they did not initiate and sometimes even opposed it.

Personnel rotations in the regions of public unrest

Alexander Lukashenko started reshuffling heads of local executive committees early in the year. Mass protests made him stop for three months. Since 2015, one of the main criteria to assess the performance of local administrations has been their ability to keep the unemployment rate low in accordance with presidential decree No.3 on the prevention of social parasitism.² Most likely, the real rate of unemployment in the regions and popular discontent with the local vertical had been disturbing the Belarusian leadership before the outbreak of anti-decree protests.

Once the protest movement had faded out, the country’s leadership made a personnel rotation in the most troubled districts and regions. In fact, about one third of the personnel of

² «Декрет №3 Президента Республики Беларусь от 2 апреля 2015 года “О предупреждении социального иждивенчества”.» *Пресс-служба Президента Республики Беларусь*. 2 Apr. 2015. Web. 06 Mar. 2018. <<http://president.gov.by/uploads/documents/3decree.pdf>>.

local administrations were replaced in 2017 before the start of the local election campaign.

The reshuffle was made in a quarter of all districts (30 out of 118). Lukashenko replaced heads of administrations in a number of districts in the capital and regional centers – Gomel, Grodno and Brest – and also in Bobruisk. The rotation of chairs of district and regional executive committees will likely continue in 2018 after the local elections.

The head of state appointed ranking officials from the central machinery and his assistants to the most troublesome districts, contrary to the informal personnel policy agreement between the president and regional elites. Usually, the head of the district vertical is selected from among regional functionaries, and the president only approves the appointment. This time, the first deputy minister of housing and public utilities headed the local vertical in Soligorsk, and the presidential assistant, chief inspector of the Vitebsk region headed the Orsha district executive committee.

It looks like the government wanted to reduce powers of the regional elites of the Minsk region when it comes to making personnel decisions after the corruption scandal, which involved the former chairman of the Soligorsk district executive committee. It is worth noting that Chairman of the Minsk regional executive committee Semion Shapiro was dismissed shortly before the criminal case was opened in Soligorsk.

Local elections: personnel reduction

Over the past few years, the government continued to optimize the administrative-territorial division by eliminating township councils and enlarging village ones. The main reason is to reduce costs and trim overlapping functions of the councils. Their total number decreased from 1,328 in 2014 to 1,309 in 2018. Eleven township councils were liquidated together with eight village councils.³

³ «Сведения об итогах выборов депутатов местных Советов депутатов двадцать восьмого созыва.» *Центральная комиссия Республики Беларусь по выборам и проведению республиканских референдумов*. 21 Feb. 2018. Web. 6 Mar. 2018. <http://rec.gov.by/sites/default/files/pdf/Elections-MS28-elect_56-57.pdf>.

This resulted in a reduction of the number of council members by 3.7%. The number of constituencies in local elections decreased from 18,816 in 2014 to 18,111 in the elections to the local councils of the 28th convocation.⁴ The ongoing decrease in population causes a shortage of personnel capable of filling vacant positions in local councils. The national and local administrations regard members of village councils as an ideological outreach channel, but give them so little power and money, that few locals would be interested in sitting in not much respected councils.

The optimization of village councils was slowed down in recent years to reduce tensions among rural residents caused by the large-scale optimization in the previous five-year period. It is possible that village councils will be abolished altogether in a few years, and the number of village councils will continue to decrease.

The national authorities have long been preparing for the dissolution of local governments of the lowest level – village councils. However, along with the resistance on the part of local communities, the Belarusian leadership seems to be uptight about the strengthening of agrarian bosses who, in the event of the dissolution of village councils, will receive additional social welfare functions and total control over the electoral process. In this case, lobbyists from rural areas will require extra financing from the budget.

Private businesses as a counterbalance to the power of large agricultural enterprises in rural areas

The government seeks to counterbalance the power of agrarian heavyweights, whose power in rural areas is greater than that of village councils. The number of representatives of the agricultural sector in regional and district councils is also decreasing following local elections, which means that they have less in-

⁴ «Сведения об итогах выборов депутатов местных Советов депутатов двадцать седьмого созыва.» *Центральная комиссия Республики Беларусь по выборам и проведению республиканских референдумов*. 31 Mar. 2014. Web. 6 Mar. 2018. <<http://rec.gov.by/sites/default/files/pdf/Elections-MS27-itogi.pdf>>.

fluence on the distribution of local budgets. This is evident the most at the district level (see Table 1).

Table 1. Representation of the agricultural sector in regional and district councils of the 26th, 27th and 28th convocations

Convocation and administrative level	Councils of the 26 th convocation (2010–2014) ⁵		Councils of the 27 th convocation (2014–2018) ⁶		Councils of the 28 th convocation (2018–2021/22)	
	Number of members	% of the total	Number of members	% of the total	Number of members	% of the total
Regional councils	34	9.5%	41	11.5%	28	7.95%
District councils	808	19.7%	624	16.0%	544	14.45%

The general proportion of representatives of the agricultural sector in local councils continues to decrease, among other things, due to a reduction in the number of village councils. There were 26.6% of them in the councils of the 26th convocation, 23.4% in the councils of the 27th convocation, and only 21.37% in councils of the 28th convocation that corresponds to the proportion of rural residents in the population of Belarus.

A part of the Belarusian political establishment, especially those in charge of election arrangements, has been talking about abolishing the primary-level councils for a few years now. Should this be done, agricultural enterprises can be given additional social functions and arguments in defending their interests before district authorities and the national government. With this in mind, the Belarusian leadership has to take measures to facilitate doing business in rural areas.

⁵ «Сведения о составе избранных депутатов местных Советов депутатов.» *Центральная комиссия Республики Беларусь по выборам и проведению республиканских референдумов*. 26 Apr. 2010. Web. 6 Mar. 2018. <<http://rec.gov.by/sites/default/files/pdf/Elections-MS-form26-53.pdf>>.

⁶ «Сведения о составе избранных депутатов местных Советов депутатов двадцать седьмого созыва.» *Центральная комиссия Республики Беларусь по выборам и проведению республиканских референдумов*. 31 Mar. 2014. Web. 6 Mar. 2018. <<http://rec.gov.by/sites/default/files/pdf/Elections-MS27-sved21.pdf>>.

In the meantime, the government continues to reduce social guarantees to the rural population and subsidies to the agricultural sector. In return, it liberalizes the business environment in rural areas. The republican budget expenditure for the agrarian sector was cut by almost 25% from 951,469,917⁷ rubles in 2016 to 719,799,174⁸ in 2017. This trend towards a decline in support for agriculture continues. In 2018, the government will cut the expenditure for agriculture by almost 30% against 2017 to 511,609,648 rubles.⁹

In turn, the head of state issued the decree ‘On Creating Conditions for the Development of Trade, Public Catering and Consumer Services’, which focuses on promoting entrepreneurship in rural areas.¹⁰ The government also seeks to break the monopoly of the chain of stores of the Belarusian Republican Union of Consumer Societies (Belcoopsoyuz), which, most often, make losses, but emphasize their social significance and, therefore, request budgetary subsidies.

The Belarusian leadership is now thinking how to reduce agrarian bosses’ lobbying capacity, political weight and appetite for state support given that village councils are weak and may be abolished at all. Most likely, the government sees the need to foster private initiative in rural areas and is to reconsider the role of major local groups of influence.

⁷ «Закон Республики Беларусь № 341-3 от 30 декабря 2015 г. “О республиканском бюджете на 2016 год”». *Министерство финансов РБ*. 01 Jan. 2016. Web. 6 Mar. 2018. <http://www.minfin.gov.by/upload/bp/act/zakon_301215_341z.pdf>.

⁸ «Закон Республики Беларусь № 431-3 от 18 октября 2016 г. “О республиканском бюджете на 2017 год”». *Министерство финансов РБ*. 26 Oct. 2016. Web. 6 Mar. 2018. <http://www.minfin.gov.by/upload/bp/act/zakon_181016_431z.pdf>.

⁹ «Закон Республики Беларусь № 86-3 от 31 декабря 2017 г. “О республиканском бюджете на 2018 год”». *Министерство финансов РБ*. 05 Jan. 2018. Web. 6 Mar. 2018. <http://www.minfin.gov.by/upload/bp/act/zakon_311217_86z.pdf>.

¹⁰ «Опубликован указ о развитии торговли, общепита и бытового обслуживания на селе.» *БЕЛТА*. 26 Sep. 2017. Web. 6 Mar. 2018. <<http://www.belta.by/economics/view/opublikovan-ukaz-o-razvitii-torgovli-obschepita-i-bytovogo-obsluzhivaniya-na-sele-268271-2017/>>.

Conclusion

President Lukashenko and regional elites agree to maintain the status quo concerning the powers of local councils fully controlled by local administrations. Regional and district councils play the role of some sort of clubs that coordinate interests of regional actors and reflect their role and power in the regions. The updated pact between the national leadership and local elites also provides for a greater role of local authorities in absorbing the popular discontent at the socio-economic policies of the state based on unpopular decisions.

Personnel reshuffles become more frequent as the country's leadership attempts to combat corrupt practices and prevent the local bureaucracy from forming long-standing groups of influence. The president reserves the right to intervene in the regional personnel policy in case local administrations fail to suppress protest movements and high-profile corruption scandals, and ensure high employment rates.

The insignificance of village councils, which are unable to oppose the political influence of large agrarian enterprises, urges the government to increase the proportion of private businesses in rural areas. The expansion of the private sector is supposed to curb the power of agrarian bosses, their lobbying capacity and the appetite for state support as budget spending for agriculture is being cut. The government will also continue to gradually reduce the presence of the agricultural sector in regional and district councils.

FOREIGN POLICY

BELARUSIAN-RUSSIAN RELATIONS: MILD SPLIT-OFF

Anatoly Pankovsky

Summary

Belarus and Russia entered the year 2017 with disputes virtually all across the board, but managed to resolve all major disagreements and substantially advanced in settling minor ones by the end of the year. The interdependence and, accordingly, interaction between Moscow and Minsk decreased in comparison with the pre-conflict period. Most likely, Russia's autonomization and strengthening of Belarus' sovereignty will continue in 2018, ensuring relatively stable consolidation of 'regressive' integration.

Trends:

- The allied states achieved a considerable progress in settling a number of serious conflicts and disputes;
- The bilateral trade turnover was growing amid the improving external situation;
- The trend towards 'sovereignization' and split-off continued. Belarus was falling behind Russia in this respect.

Peace phase

In 2017, the year of the 25th anniversary of the establishment of diplomatic relations between Belarus and Russia, the countries entered the usual mode of 'regressive' integration, which suggests that any rapprochement is accompanied by a conflict and its subsequent settlement at the turn of a new 'normality', which means a certain revision of previously reached agreements. The past year is exemplary in this regard: the acute conflict over oil and gas supply terms and less intense disagreements on trade, foreign policy and the state border ended with resolution of all major disagreements and a substantial advancement in settling minor ones.

Tensions increased in the first quarter of the year. After Belarus introduced short-term visa-free regulations for citizens of 80 countries, Moscow's criticism of Minsk's visa policy was added to the list of disputes, and additional border crossing

obstacles were posed. Upon the order of Russian FSB Director Alexander Bortnikov, control zones began to operate on the border shared with Belarus, and all flights between the countries were transferred to the international terminals of Russian airports. Also, Moscow suspended a loan from the Eurasian Fund for Stabilization and Development. Minsk, in turn, stalled the signing of the Agreement on the Customs Code of the Eurasian Economic Union and ignored EEU and CSTO summits.

In April, after several rounds of talks, the parties managed to resolve the energy dispute and restore the status quo in oil and gas supplies. After suffering significant losses and having failed to achieve advantages over the long period of confrontation, Minsk recognized and paid off USD 726 million of the debt for gas supplied during the conflict. Moscow resumed oil supplies in full. According to the reached agreements, which guaranteed oil supplies until 2024, Belarus will receive 24 million metric tons of Russian crude oil per year (18 million will be directed to Belarusian refineries in 2018, and 6 million will be subject to customs 're-clearance' and Belarus will keep the customs duties). The gas agreement covers 2018 and 2019. The gas price will still be calculated according to the old disputed formula, but reduction factors will be applied that, despite the expected increase in gas prices, can partially compensate for the losses incurred in 2016 and early 2017.¹

Once the oil and gas conflict was over (the longest one in the history of the Union State) and a number of less important issues were resolved, Minsk resumed participation in EEU integration processes and Moscow resumed the EFSD loan.

Trade: general indicators

Russia remains the largest sales market for Belarus, accounting for 43.9% of Belarusian exports and 57% of its imports. In terms of export diversification, little has changed over the past five years: only in 2015, the proportion of the Russian Federa-

¹ Final gas prices: USD 129 for 1,000 m³ in 2018, USD 127 for 1,000 m³ in 2019. See 'Energy Sector: Temporary stabilization without clear prospects' by A. Autushka-Sikorski in this *Yearbook*.

tion in Belarusian exports fell below 40%. In other periods, its proportion in foreign trade in goods ranged 42% to 46% of Belarus' total exports.² Belarus is among Russia's top five major trading partners.

Table 1. Dynamics of Belarusian-Russian foreign trade in goods in 2012–2017, USD million³

	2012	2013	2014	2015	2016	2017	% against 2016
Trade turnover	43,860	39,742	37,371	27,533	26,114	32,424	124.2
Exports	16,309	16,837	15,181	10,389	10,819	12,830	118.6
Imports	27,551	22,905	22,190	17,144	15,295	19,594	127.6
Deficit	11,242	6,068	7,009	6,755	4,476	6,764	151.1

Last year's revitalization of bilateral trade (a 24.2% increase) was in many respects driven by the favorable external situation and recovery of Russia's economy from recession. Analysts say that economic growth was more like restorative rather than structural and good indicators were achieved thanks to the low comparative base. Besides, the growth rate still does not correspond to the economic capacity of Belarus.⁴ Oil and gas agreements with Russia reached in April 2017 contributed considerably to the trade turnover increase.

Belarus mainly supplied Russia with trucks, agricultural machinery, dairy, and railway cars. Analysts also point at a 290% increase in supplies of potash fertilizers to the Russian market (in money terms), although Russia hosts one of the world's largest producers of potash fertilizers Uralkali, a direct competitor to Belaruskali.

² «Внешняя торговля Беларуси в 2018 году.» *Министерство иностранных дел Республики Беларусь*. Web. 29 May 2018. <<http://mfa.gov.by/export/>>.

³ Information based on the Interactive Information Analytical System for distribution of official statistical data. *National Statistics Committee of Belarus*. Web. 29 MayApr. 2018. <<http://dataportal.belstat.gov.by/AggregatedDb>>.

⁴ «Итоги года: экономика осторожно радуется новой реальности.» *РИА «Новости»*. 28 Dec. 2017. Web. 29 May 2018. <https://ria.ru/ny2018_resume/20171228/1511883233.html>.

Not very good news is that Belarusian exports were growing slower than imports from Russia, resulting in a 50% increase in the trade deficit. The recovery of the Russian market does not automatically restore the position of Belarusian producers there, because ambitions of Russian competitors grow along with the economy.

Potential conflicts

Belarus and Russia resolved all conflicts by the end of 2017. However, disagreements were still there, as cooperation benefits were fading.

The talks on the terms of gas supplies to Belarus after 2020 lasted throughout 2017 and continued in the first half of 2018. By July 1, 2019, the parties agreed to draft an agreement with a formula for calculating a gas price for Belarus in 2020–2024. The work on the draft is anything but simple, which is understandable given Minsk's aspiration to tackle an extremely difficult task: to achieve a gas price 'equally profitable' with the price for the Smolensk region of Russia from January 1, 2025. Today, the price for Belarus is almost twice the price for Smolensk.

Rosselkhoznadzor's regular claims to Belarusian made foods and other restrictions on supplies of Belarusian products to the Russian market cause disputes as well. Russia can use the EEU Customs Code launched January 1, 2018 as an additional tool to limit supplies of Belarusian products to its market.

The status of the Belarusian-Russian border, visa policy and the Russian border control program signify new collision points.

Also, Moscow is intensely irritated by Minsk's foreign policy relations with Kiev and the West.

Information and foreign policy disintegration

The growing confrontation between Russia and the rest of the world created an unfavorable foreign policy background that naturally affected the information sector. In 2017, Minsk was subjected to a series of information attacks. Some Russian media outlets claimed in February that Belarus was going to

withdraw from the Collective Security Treaty Organization and the Eurasian Economic Union.

The media coverage of the joint Belarusian-Russian military exercise West-2017 (September 14–22) in Russia and Europe posed the most significant challenge to information security of Belarus. Minsk's reputation was mainly damaged by the West-2017 scenario, which involved Belarusian and Russian forces ('North') facing a combined invasion by three imaginary nations Vesbaria, Lubenia and Veyshnoria ('West'). Efforts of the Russian mass media and the critical attitude of Polish, Ukrainian and other countries' observers had a negative effect, and many Belarusian experts began saying that Belarus lost the information war to Russia. The assessment of the war game was ambivalent, though. Many respected experts welcomed the openness of the exercise and effectiveness of press services. It helped strengthening the image of Belarus as a sovereign state.

Also, Russian media accused the Belarusian leader of 'mild Belarusization' of the country in December 2017. Lukashenko angrily responded, 'What am I supposed to do here? Germanization?'

Anyway, the events of 2017 demonstrated the inertia of the Belarusian leadership in countering information attacks of the Kremlin. Information threats and risks became more obvious and led to a series of significant personnel reshuffles in the media.⁵

Conclusion

Beside the remaining contradictions regarding access to each other's markets, Moscow's conflict with the West and Ukraine adversely affects the dynamics of Belarusian-Russian relations. U.S. sanctions against Russia will require more cautious behavior of the Belarusian leadership in foreign policy maneuvering, because the sanctions weaken Russia as a political and economic ally. All this gets even more complicated since Moscow intends to determine Belarus' foreign policy and restrict its sovereignty.

⁵ «Смена руководства государственных СМИ как элемент новой медийной вертикали.» *Наше мнение*. 8 Feb. 2017. Web. 29 May 2018. <<http://nmbny.eu/news/analytics/6543.html>>.

At the same time, the rise in oil prices, difficulties with financing of alternative oil and gas transit ways (Nord Stream 2) and Soviet legacy industry in Belarus generate a strong mutual interest of the parties in maintaining cooperation.

It is important that, although the degree of reflection of vicissitudes in Russia's relations is still high, the methods of settlement of disputes have become milder than in previous years. This means that Belarus and Russia go through a period of adaptation to decreased expectations for mutual cooperation and are getting used to the new 'normality' in bilateral relations.

BELARUS-EU: NORMALIZATION IN SMALL STEPS

Denis Melyantsov

Summary

In 2017, Minsk kept seeking gradual normalization of relations with the West, trying to take maximum advantage of the transformation of the EU's approaches to Eastern Europe, as well as its new role as a facilitator in resolving the conflict in Ukraine.

There were no significant events in 2017 that could bring bilateral relations to a qualitatively new level. One of the mechanisms for overcoming this stagnation, according to official Minsk, could be the launch of the 'Minsk Process' for the de-escalation of international tension (also known as Helsinki-2). At the same time, the EU-Belarus cooperation agenda was expanding and getting more profound. New opportunities for trade and investment opened up.

Trends:

- The practical bilateral agenda was expanding and getting more profound;
- Belarus showed Europe greater openness in a cautious manner;
- Negotiations on important bilateral agreements were dragged out;
- Belarus used existing threats to regional security to improve its international reputation.

Achievements and goodwill of the parties

Early in the year, Minsk made an unprecedented step in the history of Belarusian diplomacy: entry visas were abolished for nationals of 80 countries, including the EU, on condition that foreigners enter the country by air through the Minsk national airport and stay for up to five days. This was a demonstration of the goodwill of the Belarusian authorities primarily in relation to the EU. Also, it was an appreciable step amid the protracted talks with Brussels on simplification of visa regulations and additional political demands put forward by the Union.

The Belarusian Foreign Ministry showed enthusiasm when describing the progress of bilateral relations in its foreign policy review-2017. According to the MFA, the dialogue with the EU

became well-structured and economically intensive, the parties continued to step up political contacts, and the streamlined cooperation efforts were steady and fruitful.¹

The 26th Summer Session of the OSCE Parliamentary Assembly (PA) in Minsk reflected the changing image of Belarus in the region. The fact that the PA turned down Lithuania and Sweden's resolutions criticizing Belarus was a diplomatic success of the host. At the session, Alexander Lukashenko once again voiced the idea of a new Helsinki process aimed at overcoming existing contradictions and building new constructive relations in the OSCE region.

In 2017, for the first time, representatives of the Belarusian Foreign Ministry took part in the Eastern Partnership Civil Society Forum held October 26 in Tallinn. Before that, Belarusian officials preferred not to show up at the venue intended for NGOs. Andrei Bushilo, head of the MFA's Pan-European Cooperation Department, said at the Forum that "there are no disagreements in the Belarusian government concerning cooperation with the European Union, and that all departments are interested in improving relations."²

Another important event took place during the Eastern Partnership summit: Lukashenko was invited for the first time. It was a symbolic, yet indicative gesture. Before, invitations had been sent to the whole country, because the Belarusian leadership was subject to personal sanctions imposed by the EU. Brussels explained that the international image of Belarus had changed and Minsk should be "encouraged" for its position on the conflict in Ukraine. Lukashenko declined the invitation, saying that his schedule was tight and that Foreign Minister Vladimir Makei was better prepared for the summit.

¹ "Annual Review of Foreign Policy of the Republic of Belarus and Activities of the Ministry of Foreign Affairs in 2017." *Ministry of Foreign Affairs of the Republic of Belarus*. Web. 3 Apr. 2018. <<http://mfa.gov.by/en/publications/reports/e2c551f8f077f5fe.html>>.

² «Представитель МИД: позиция госаппарата по вопросу сотрудничества Беларуси с ЕС монолитна.» *Naviny.by*. 26 Oct. 2017. Web. 3 Apr. 2018. <<http://www.naviny.by/new/20171026/1509035305-predstavitel-mid-poziciya-gosapparata-po-voprosu-sotrudnichestva-belarusi-s->>.

For the first time in its history, the Eastern Partnership summit was totally predictable, and no one expected historic decisions or heated debates. The delegations adopted ‘20 Deliverables for 2020’, which, upon a closer view, were not that deliverable. The final declaration of the summit contains more pragmatic provisions, as Belarus wanted. However, it is far from the maximum that Minsk hoped for when signing the Prague Declaration in 2009.

Endurance test: protests in Belarus and reaction of the EU

In February-March, normalization of relations with the EU was put to a severe test. Police brutality during street protest actions against the ‘law on parasites’ and arrests in the White Legion case could bring Belarus-EU relations back to sanctions.

Europe’s response to the events in Belarus turned to be low-key because of a number of factors. First, Belarusian agencies (primarily the Foreign Ministry) conducted a massive information campaign focusing on security, and refrained from aggressive rhetoric. Second, the government acted quite flexibly: having brought down the protest wave, they did not aggravate the situation by sentencing political opponents to long prison terms. Third, in recent years, Minsk has established itself as a neutral negotiation venue on Ukraine that caused external political players to make adjustments to their actions in relation to Belarus.

The joint Belarusian-Russian army exercise West-2017 was another test for Belarus’ relations with the West in general and the EU in particular. Amidst a sharp increase in international tensions and mistrust towards Russia, the exercise triggered a wave of alarmism and worrisome forecasts in the EU. They said it was quite possible that Belarus would be occupied and used as a beachhead for attacks on neighboring NATO members. Media tied Belarus to Russia as its closest military ally, posing a real threat to the image of Belarus as a neutral state.

However, Minsk took a proactive stand and neutralized this negative information outburst to a certain extent by ensuring transparency and openness to Western observers. Following the

exercise, Western media described it as a purely Russian stunt, or emphasized the greater openness of Belarus in comparison with Russia and Minsk's desire to pursue its own independent foreign policy.³

The fact that the crackdown on the protests against Decree No.3 and the large-scale Belarusian-Russian army exercise did not ruin Minsk-Brussels dialogue suggests that their relations have reached a high degree of stability, and that both sides are interested in continuing normalization. Considering Belarus' previous attempts to establish more effective cooperation with the West, it looks like the country's leadership has learned how to act flexible and proactive. Since the onset of the conflict in Ukraine, the EU has readjusted its attitude to 'Belarusian stability' and pays more attention to security issues, rather than to promoting democracy and liberal reforms.

Practical interaction is expanding

Belarus persistently worked on a transformation of the bilateral agenda towards a more pragmatic and depoliticized approach that has led to an increase in the number of projects of interest to both parties (border and environmental protection, infrastructure, transport, etc.). The European Investment Bank received its first mandate to work with Belarus, and the European Bank for Reconstruction and Development launched a new country program.

Participants in the fourth session of the EU-Belarus Coordination Group held in December assessed cooperation in 2017 in 12 areas: economics and finance, privatization and industry, transport, customs, education, research and development, trade, agriculture and sanitary and phytosanitary standards, environmental protection, energy, digital economy, and labor market and social protection. They agreed on a new sectoral dialogue on transport and measures to step up customs cooperation. Next year, Belarus will appoint a customs attaché to the

³ См. Мельянцов, Денис. «“Запад-2017”: проиграла ли Беларусь информационную войну?» *Минский диалог*. 29 Sept. 2017. Web. 3 Apr. 2018. <<http://minskdialogue.by/research/memorabile-notes/zapad-2017-proigrala-li-belarus-informatcionnuu-voinu>>.

embassy in Brussels. Cooperation in environmental protection was intensified. A National Plan for the Implementation of the Paris Agreement on Climate was adopted early in the year.

After signing and ratifying the agreements on the financing of the EU cross-border cooperation programs Poland-Belarus-Ukraine and Latvia-Lithuania-Belarus, Belarus was granted access to EU grants on a competitive basis in the amount of EUR 282,7 million until 2020.

On December 14, the European Investment Bank Council approved its first project in Belarus on the reconstruction of the M7/E28 highway and the border crossing point Kamenny Log. Belarus was permitted to cooperate with the EIB after the EU sanctions were lifted. The Bank was the last key financial institution of the Union, which had no presence in Belarus.

Sanitary and phytosanitary standards topped the agenda of the Coordination Group. Belarus was not happy about the protracted talks and vagueness of the requirements regarding the EU standards. In turn, European officials believe that the problem is in the standards of the Eurasian Economic Union, which differ from European ones. In a more general sense, Minsk would like to have guaranteed access to the European market provided that all requirements are met and standards are adopted, whereas the EU wants the standards to be met first, and then, probably, the access will be granted. The EU also wants a different attitude to itself: opened market without additional conditions that, naturally, irritates Minsk.

In 2017, the trade turnover with the European Union increased 30.3% to USD 14,5 billion (23.0% of Belarus' total turnover). Exports were up 39.8% to USD 7,9 billion, and imports increased 20.6% 6,6 billion. The surplus totaled USD 1,2 billion. Germany, Great Britain, Poland, the Netherlands and Lithuania were Belarus' leading trading partners in the Union.

Disappointed expectations

Despite the action-packed project schedule in 2017, Minsk failed to achieve progress on the landmark agreements on visa facilitation and on partnership priorities. Belarus also failed

to persuade the EU to start negotiations on a partnership and cooperation agreement.

According to Belarusian diplomats, the Minsk-Brussels talks on the partnership priorities are nearing completion. The agreement is meant to be some sort of a roadmap for 2018–2020 in four areas: strengthening of the public administration system; economic development and market opportunities; transport communications, energy, environment and climate, and human contacts. In the next three years, the EU plans to allocate EUR 112 to 136 million in grants for these projects under the country technical assistance program alone.

Belarus and the EU have defined all issues on the agenda, but no decisions have been made yet. For instance, partnership priorities cannot be agreed on due to Lithuania's tough position on the Belarusian nuclear power plant, and the visa talks stalled, among other things, because the parties cannot reach a consensus on a suspension of this agreement in case the EU resumes sanctions, or for some other reasons. Since these obstacles are political, one should not expect a rapid progress in the negotiations.

Brussels links the signing of the partnership and cooperation agreement with progress in the field of human rights and implementation of reforms in Belarus. In particular, head of the EU Delegation to Belarus Andrea Wiktorin and head of the Division for Bilateral Relations with the Eastern Partnership Countries in the European External Action Service Dirk Schuebel made statements on this point at the Minsk Forum on November 16. Belarusian officials insist on the priority of the economic component.

Formalized instruments of interaction with the EU remain discriminatory towards Belarus. On October 31, Kiev hosted the sixth session of Euronest (Eastern Partnership Parliamentary Assembly). Representatives of the Belarusian opposition were invited. The official delegation of Belarus to Euronest stays away because the EU dismissed the parliamentary elections in Belarus as undemocratic.

The Annual Report on Human Rights And Democracy in the World in 2016 approved by the EU Council on October 16 states that systematic violations of human rights continue to be

tolerated in Belarus: restrictive laws impacting on fundamental freedoms have not been amended, the death penalty is still applied, freedom of association and freedom of expression are severely restricted. At the same time, the Belarusian government has been more open to engaging with the EU on human rights questions. The parliamentary elections took place ‘in a more open atmosphere with greater possibilities for opposition candidates to run.’⁴ At the level of formal declarations, the EU’s approach did not change much. Political demands are still there in statements regarding Belarus.

Conclusion

In 2017, the Belarusian government was proactive in building a new image of the country as a peacemaker and a donor of stability in Eastern Europe. The EU’s restrained reaction to the crackdown on street protests in February and March demonstrated stability of the normalization process and that the EU and the Belarusian leadership learned the lesson of 2010 and now act more flexibly and carefully.

A breakthrough in the political dimension of bilateral relations is unlikely in the near future. Nevertheless, positive results in the form of small steps in areas of mutual interest will be achieved.

⁴ «Ежегодный отчет ЕС по правам человека и демократии в мире за 2016 год.» *European Union External Action*. 16 Oct. 2017. Web. 3 Apr. 2018. <https://eeas.europa.eu/headquarters/headquarters-homepage/34150/ежегодный-отчет-ес-по-правам-человека-и-демократии-в-мире-за-2016-год_ru>.

BELARUSIAN-AMERICAN RELATIONS: LONG-STANDING THAW

Andrei Fyodorov

Summary

Belarusian-American relations continued to normalize in 2017. The pace slacked off, though largely as a result of the new U.S. Administration, which abandoned many of its predecessors' approaches. Also, against the backdrop of a number of significant events across the world, Belarus was put on the back burner by the global political players. The Russian factor continues to adversely affect Belarus-U.S. rapprochement. As a result, the irreversibility of the normalization remains in doubt.

Trends:

- Belarus seeks normalized relations, but no substantial positive changes were achieved;
- The economic cooperation showed poorer results as compared with 2016;
- Belarus may face serious threats to its sovereignty due to Russia's foreign policy and the growing confrontation between Russia and the United States.

Event history

March 6: Foreign Minister of Belarus Vladimir Makei meets with Vladimir Socor, Senior Fellow of the Washington-based James-town Foundation. They discuss the relations between Belarus and the United States, the situation in Eastern Europe and possible areas of cooperation between Belarusian and American think tanks.

March 26: The U.S. embassy in Minsk voices concern about the harsh actions of the law enforcers against peaceful street actions timed to the Freedom Day.

March 30: First Deputy Foreign Minister of Belarus Andrei Yevdochenko speaks about “obviously positive changes” in Belarusian-American relations.

April 3: Deputy Foreign Minister Oleg Kravchenko meets with David Baron, co-Chairman of the Belarus-U.S. Business Cooperation Council, to discuss the Belarusian-American trade and investment cooperation.

April 4: The first conference on Belarus titled ‘Revising Relations: Legacy and Outlook for U.S.-Belarus Bilateral Ties’ is held in Washington.

April 5: Four distinguished U.S. senators address Alexander Lukashenko with an open letter urging him to turn the political course toward democracy and the West in order to protect the territorial integrity and sovereignty of Belarus from Russia’s encroachments.

April 6: Kansas City hosts a commemorative ceremony on the occasion of the 100th anniversary of the U.S. entry into World War I. Alexander Lukashenko is invited, but Deputy Foreign Minister Oleg Kravchenko attends the event in his stead.

April 11: During a working trip to the Gomel region, Alexander Lukashenko comments on U.S. domestic and foreign policy.

April 28: Washington extends the suspension of sanctions against nine Belarusian enterprises for half a year.

May 9-11: Oleg Kravchenko makes a working visit to the United States.

June 12-13: A Belarusian delegation headed by Alexander Shumilin, Chairman of the State Committee on Science and Technology of Belarus, takes part in the eMerge Americas International Exhibition and Conference on high technologies in Miami. Belarusian research centers showcased nearly 80 high-tech and science-intensive projects and exhibits.

June 14: Donald Trump extends U.S. sanctions against a number of high-ranking Belarusian officials for a year.

July 6: Alexander Lukashenko meets with a delegation of the U.S. Congress.

July 21: The U.S. Congress Commission on Security and Cooperation in Europe (Helsinki Commission) holds the briefing ‘Interaction with Belarus for Human Rights and Democracy’ in Washington.

October 3-6: Deputy Foreign Minister Oleg Kravchenko makes a working visit to the United States.

October 24: The U.S. extends the suspension of sanctions against nine Belarusian enterprises.

October 25: Pavel Pustovoy, Director of the Americas Department of the Ministry of Foreign Affairs of Belarus, meets

with Brian Roraff, Deputy Director of the Office of Eastern European Affairs of the U.S. Department of State.

November 22: The U.S. Department of Commerce imposes anti-dumping duties on rolled carbon and alloy steel products originating from Belarus.

Processes slow down. Achievements dwindle

There were a little fewer meetings between Belarusian and U.S. officials than in the previous year. In 2016, they were mostly held in Minsk. In 2017, most of them took place in America, basically because of the new U.S. Administration and a significant reshuffle in the Department of State.

Deputy Foreign Minister Oleg Kravchenko was quite active throughout the year. He visited Washington twice, and the program of the visits covered much ground. In May, he met with Deputy Assistant Secretary of State Bridget Brink, the leadership of the Bureau of Democracy, Human Rights and Labor Affairs, members of the Senate Foreign Relations Committee, and attended the conference ‘Between East and West: Belarus at a Crossroads’ organized by the Atlantic Council and the Jamestown Foundation. Six months later, he held talks with Bridget Brink again, and Acting Assistant Secretary for Democracy, Human Rights and Labor Michael Kozak (former U.S. ambassador to Belarus), Deputy Assistant Administrator for Europe at the U.S. Agency for International Development Gretchen Birkle, and other representatives of the State Department, government agencies and NGOs.

This shows that the level of diplomatic contacts did not get lower. It did not go higher either, though.

Anyhow, actions and statements made by the leaders of the nations were in the spotlight. Donald Trump routinely extended sanctions against a number of high-ranking representatives of the Belarusian leadership, and the Foreign Ministry of Belarus no less routinely responded to that.

Unlike his American counterpart, Alexander Lukashenko displayed some enthusiasm. In particular, as contrasted with previous similar situations, he was not critical when commenting on the U.S. missile strikes in Syria. At a meeting with a delegation of

the U.S. Congress to the OSCE Parliamentary Assembly session in Minsk¹, he once again declared the invariability of Belarus' interest in full-fledged partnership relations. Moreover, he even expressed his willingness to listen to 'legitimate criticism' on the part of the United States and not to avoid a discussion of issues relating to human rights, democracy and elections 'regardless of the format and place of the talk.'

At the same time, the Belarusian leader acknowledged that the dynamics of the bilateral cooperation was somewhat decreasing. Indeed, fundamentally, except for some expansion of the range of services provided by the consular department of the U.S. embassy in Minsk, there were no visible, concrete achievements.

Nothing changed in the economic cooperation either, and the information supplied by the sides was, as usual, very contradictory. According to U.S. data², the last year's bilateral trade turnover totaled USD 350 million, Belarus having a 205 million surplus in trade. The Belarusian National Statistics Committee (Belstat) thus reported 604 million in turnover with a 6.5% year-on-year decrease and a deficit of 154 million.³

This makes up less than one percent of Belarus' entire foreign trade. A year before, it was at 1.2%, which means a setback. In any case, such indicators can hardly be considered desirable in trade with the world's leading economy.

In late 2017, the U.S. Department of Commerce proposed anti-dumping duties on carbon and alloy rolled metal products produced in Belarus. Rolled metal products are definitely not the biggest item of Belarus' export to America (potash fertilizers sure are), but this protection measure was still quite discouraging.

¹ "Meeting with delegation of United States Congress." *The Official Internet Portal of the President of the Republic of Belarus*. 6 Jul. 2017. Web. 28 Feb. 2018. <http://president.gov.by/en/news_en/view/meeting-with-delegation-of-united-states-congress-16628/>.

² "Trade in Goods with Belarus." *United States Census Bureau*. Web. 28 Feb. 2018. <<http://www.census.gov/foreign-trade/balance/c4622.html>>.

³ «Данные о внешней торговле Республики Беларусь по отдельным странам.» *Национальный статистический комитет РБ*. Web. 28 Feb. 2018. <http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-okruzhayushchaya-sreda/vneshnyaya-torgovlya_2/operativnye-dannye_5/eksport-import-s-otdelnymi-stranami/>.

Encouraging is that the United States is one of the main consumers of services of Belarusian IT companies. In the light of the Belarusian leadership's recent efforts towards a digital transformation of the economy, this is the area where a breakthrough is possible someday.

It is also worth noting that the White House is going to cut the assistance to Belarus by almost USD 8 million. Belarus is not the only country that will lose money due to Washington's new policy, so there is no reason to suspect a particularly biased attitude toward Belarus. The point is that this shows the low degree of Belarus' relevance for the incumbent U.S. Administration.

Besides, considering that the talks about the return of ambassadors have almost died out, the slowing down of the already not too intensive process of establishing good relations becomes obvious.

Russia's position is the main obstacle

Meanwhile, the year did not see many usual barriers to increased mutual understanding in the form of drastic deviations from democracy or gross violations of human rights in Belarus. The new U.S. Administration does not seem eager to uphold these values overseas any longer. Its reaction to the harsh measures taken by the regime against peaceful street actions timed to the Freedom Day made that clear: this time, only the American embassy in Minsk expressed concern.

Perhaps the most fundamental attempt to analyze the situation was made by a group of Belarusian experts in the report 'Role of the New U.S. Administration in International Relations and Security in Eastern Europe.'⁴ However, some of the presented findings look controversial.

The main obstacles to the normalization are said to be the low awareness of Belarus in American society and political elites, the prevailing perception of Belarus as a strategically insignifi-

⁴ «Доклад «Значение новой администрации США для международных отношений и безопасности в Восточной Европе».» «Минский диалог». 19 Apr. 2017. Web. 28 Feb. 2018. <<http://minskdialogue.by/research/reports/znachenie-novoi-administracii-ssha-dlia-mezhdunarodnykh-otnoshenii-i-bezopasnosti-v-vostochnoi-evrope>>.

cant state, insufficient mutual diplomatic presence, Minsk and Washington's disagreements in the assessment of the domestic political situation in Belarus, and the latter's generally negative image in the West.

This produces a certain impact, but it is not determinative, at least, the 'low awareness' and the absence of ambassadors can hardly be described as such.

It is also not very clear why, as the report says, American foreign policy officers have not managed to correctly assess the strategic significance of Belarus for a quarter of a century. It seems that the authors paid tribute to the present-day views of the Belarusian leader who keeps calling Belarus "a donor of regional security" that has not been convincingly proved yet.

A greater impact results from discrepancies in Belarus' domestic policy and, consequently, its negative image. At the same time, America's relations with Saudi Arabia, which even an incurable optimist cannot describe as a beacon of democracy, show that these aspects pale into insignificance when it comes to strategically important matters. The pragmatism, which is typical of Washington's foreign policy, gives reason to believe that some ideological concepts could well be sacrificed to draw Belarus over to America's side.

The United States, however, does not basically need Belarus. Probably, Washington would not mind if Minsk behaved like, say, Tbilisi, but the U.S. is not going to exert any extra effort to this end, since the last two decades have convincingly shown that at the present stage, due to the close ideological and economic ties between Belarus and Russia, it is totally impossible to pull Belarus from under its eastern neighbor.

Along with its own profound distrust of the West, the Belarusian leadership reasonably fears that even a slightest shift towards the West will cause Russia's inadequately harsh response.

It is also quite clear that in the event of an aggravated confrontation between Moscow and Washington, there will be no geopolitical choice for Minsk. There is no doubt, for example, that Russian-American relations will get much worse following new American sanctions against the Russian elite to be imposed in 2018. The Kremlin will strive to consolidate all its resources to the utmost, and Belarus will certainly be unable to stay away.

Some offbeat actions of Minsk, such as the non-recognition of the independence of Abkhazia and South Ossetia and the annexation of the Crimea, are apparently not considered by Washington as a sincere and settled intention to escape from the Kremlin's firm grasp. Actions that constantly accompany the steps above suggest otherwise.

So, the policy of Russia remains the main obstacle to the normalization of Belarusian-American relations.

Conclusion

Despite the mentioned difficulties, the past year's developments can be regarded as positive compared with the tough confrontation observed a little while back. Moscow's unpredictable behavior prompted the aspiration of the Belarusian leadership to earn support from the West, primarily the United States.

Another strategic goal of Minsk is defined as "achievement of sustainable normalization of ties at a level that would ensure unimpeded trade with America, access to loans, investments and technologies, and participation in industrial cooperation."⁵

However, there are not too many objective prerequisites for stronger cooperation. Constraining factors, the main one being the fundamentally different views of the parties on Belarus' domestic policy and Russian influence, are much more powerful. The first issue can still be more or less resolved, but the second one will likely get bigger in the foreseeable future. In these conditions, the future of the Belarusian-American relations still does not inspire much optimism.

⁵ «Американские санкции не мешают диалогу между Беларусью и США, – МИД.» *Белорусские новости*. 30 Mar. 2017. Web. 28 Feb. 2018. <<http://naviny.by/new/20170330/1490881394-amerikanskie-sankcii-ne-meshayut-dialogu-mezhdu-belarusyu-i-ssha-mid>>.

POLAND AND BELARUS: TIME OF ‘WEAK STABILIZATION’

Anna Maria Dyner

Summary

The improvement of the Polish-Belarusian relations has been evident for another year in a row. The frequency of meetings between the authorities of both countries was sustained; the contacts at the local level, as well as economic and cultural relations were developed. Both states tried to use the potential of good neighborhood and common historical heritage for tourism development. Contrary to warnings, the Polish-Belarusian relations were not affected by the maneuvers ‘West-2017’. Their scenario, which provided among other things, an attack from the territory of Poland and response counterattack, was widely commented by the NATO member states. Unresolved bilateral relations still remain a challenge, including the ones associated with the Union of Poles of Belarus or the entry into force of the local border traffic.

Trends:

- Gradual improvement of political relations;
- Increasing bilateral trade and the size of Polish investments;
- The development of bilateral regional cooperation.

Political relations

At the 25th anniversary of the establishment of bilateral relations no breakthrough happened: visits at the level of Prime Minister or President were not on the agenda. 2017 can be considered as a period of ‘weak stabilization’ due to the large number of visits at the parliamentary level, Ministerial consultations and meetings of working groups.

In 2017 the dynamics of the meetings at the intergovernmental level and Ministerial levels maintained. On 19 January the meeting of Chairman of the Council of the Republic of Belarus Mikhail Myasnikovich with the Polish Ambassador Konrad Pawlik took place, during which the results of the meeting of the parliamentary groups of both countries in Warsaw in December 2016 were summed up (it was the first official visit of a group of Belarusian parliamentarians to Poland).

On 16 January a political, economic and cross-border cooperation was discussed in Warsaw by the Deputy Minister of Foreign Affairs Marek Zelkowski and Belarus' Ambassador to Poland Alexander Averyanov.

On 27 February in Warsaw the political consultations at the level of directors of territorial departments of the Ministry of Foreign Affairs took place. On 15 March the Deputy Minister of Foreign Affairs of Poland Marek Zelkowski visited Minsk and took part in the meeting of Deputy Ministers of Eastern Partnership countries and the Visegrad Group. Mr Zelkowski also discussed cooperation in the information sphere with the Minister of Information of Belarus Liliya Ananich. On 12 April in Warsaw the meeting of the Foreign Ministers of Poland and Belarus took place in the framework of the meeting of Foreign Ministers of Visegrad Group and Eastern Partnership. On April 20–21 in Minsk, the Minister of Health Care of Poland Constantine Radziwill met with his Belarusian counterpart Valeriy Malashko. In September Minsk hosted Belarusian-Polish consultations of the Ministries of Foreign Affairs and Justice.

As in previous years, parliamentary contacts were of great importance. The increasingly frequent meetings of the Belarusian and Polish parliamentarians indicate an increase in the activity of the Belarusian Parliament on the international stage, including relations with Poland. The Belarusian side claims, for example, for observer status in the parliamentary Assembly of the Organizations of the Baltic Sea States.

In 2017 Belarus continued to strengthen military cooperation with Poland. This was secured not only by the meeting of officials of the Ministry of Defense with Poland's Ambassador to Belarus Konrad Pawlik but also by the steps of Belarusian diplomacy on the eve of military maneuvers 'West-2017'. In July the Belarusian side invited observers from OSCE countries. Belarusian diplomacy reported in detail about the planned maneuvers, highlighting their defensive nature. However, a lot of controversy was caused by the scenario of the maneuvers, which included an attack on Belarus from the territory of Poland, Lithuania and Latvia, as well as a counterattack to the territory of conventional adversaries. The maneuvers were followed by a

discussion in Poland and other NATO countries on the subject of whether Belarus would be able to keep its independence in case of a possible conflict between Russia and NATO members. However, the maneuvers had no negative impact on the political and military relations between Poland and Belarus.

In 2017 the Belarusian military took part in special courses in the framework of fulfilment of obligations under arms control in Poland and Germany. On January 12 inspectors from Poland and the Czech Republic visited the 336-th rocket artillery brigade, on 16–19 November the representative of Poland participated in the inspection of ground forces. In May 2017 the Belarusian military conducted an inspection in Poland. In July in Warsaw, a meeting of representatives of the armed forces of Poland and Belarus took place, the main topic of which was cooperation in the field of arms control. The delegations from Poland, Italy and the UK also checked the state of readiness of the 103rd separate guard airborne brigade, which Belarus chose to participate in UN peacekeeping missions. In accordance with the provisions of the Treaty on Open Sky Polish-Italian inspection made a reconnaissance flight over the territory of Belarus. On 11–13 September, the Polish delegation held a military inspection in Belarus. In turn, the observers from Belarus controlled the teachings of the Dragon' 17, which took place on the territory of Poland. Belarusian military in accordance with the safeguards of the Vienna document of December 18–22, 2017 carried out the inspection in Poland.

According to predictions, both the level and intensity of bilateral contacts was unchanged. But still some issues particularly important for the Polish side failed to be resolved. Among them are the entry into force of the agreement on local border traffic, registration of a Union of Poles in Belarus recognized by Warsaw and TV-channel 'Belsat'. However, unless there are any unforeseen political developments, it can be expected that bilateral relations in the next years will look like those in 2017.

Economic cooperation

The growth of trade turnover between Poland and Belarus and an increased interest of Polish companies to invest in Belarus

contributed to improved political relations between the two countries.

In 2017, the trade turnover between Poland and Belarus grew by 19.6% compared to 2016 and made up USD 2,19 billion. Polish exports to Belarus amounted to USD 1,125 billion (grew by 13.2%), and Belarusian exports – USD 947 million (grew by 8.7%)¹. Belarus exports mainly potash fertilizers, oil products, wood, while Poland – medicines and food. However, Belarusian politicians have repeatedly noted that the trade turnover should be at least USD 3–4 billion.

On 28 March 2017 Polish-Belarusian Chamber of Commerce and the Belarusian National Agency of Investment and Privatization signed a bilateral agreement, which should contribute to the improvement of the economic contacts between Poland and Belarus. On 25 October Minsk hosted the fifth session of the Belarusian-Polish working group on trade and investment, one of the topics was cooperation in the banking sector.

In 2017, the Polish companies started several significant investment projects in Belarus. On 11 May in Viciebsk the factory of the Polish company ‘Modern Expo’ was opened, which produces commercial equipment. The Polish company ‘Unibep’ in 2017, signed a contract for the construction of a logistics center in Balbasava (contract price EUR 12,8 million) and started the investment. The contract for EUR 15 million for the construction of a railway load terminal on the transition in Bruzgi was signed by the company OT Logistics Bel, which is part of the Polish holding ‘OT Logistics’.

In March 2017 the Polish-Belarusian Center IPO (Initial Public Offering) started its activity. The centre should prepare specialists who will advise companies on the stock exchange. The exhibition MILEX-2017, which was held May 20–22, was attended by Polish military sector companies.

Economic contacts were permanently restricted by Russian sanctions. They mainly complicated the development of trade

¹ «Внешняя торговля / Годовые данные.» *Национальный статистический комитет Республики Беларусь*. Web. 4 Apr. 2018. <http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-okruzhayushchaya-sreda/vneshnyaya-torgovlya_2/operativnyedannye_5/eksport-import-s-otdelnymi-stranami/>.

in consumer products imported from the EU, for which Russia imposed an embargo. However, 2017 in the Polish-Belarusian economic relations should be assessed positively.

Regional cooperation

An important element of bilateral relations remains border traffic and regional cooperation.

Over 25 years of Polish-Belarusian relations 83 Treaties on partner relations between Belarusian and Polish cities and regions were signed. In 2017 the cooperation was extended due to Viciebsk region and Lodz Voivodeship. On October 5–7 in Baranavičy the fourth meeting of twin towns of Belarus and Poland was held which was attended by representatives of 12 Belarusian and 16 Polish cities.

The Polish self-government and local Belarusian authorities have actively used the program *Poland – Belarus – Ukraine*. In 2017 the Belarusian Parliament approved the implementation of three projects at the Belarusian-Polish border in the framework of this programme. In particular, the construction of an additional bridge for cars over the river Svislač in Berastavica-Babroŭniki, the support of fire safety services and modernization of road R-16. At the same time, the Belarusian side requested further assistance from the EU in the financing of infrastructure projects on the border between Belarus and the European Union.

Belarus counts on Polish investments in the tourism industry. Presidential decree No. 318 created the preconditions for the rapid development of infrastructure in the region. More than 50 km of new bicycle lanes appeared, new tourist routes were created, the tourism base developed, tourists were attracted by the greater choice of cultural events. The character of the border crossing point Liasnaja-Rudaŭka changed. In 2017, 2.6 thousand people crossed it, while in 2016 there were only 200.

Regional cooperation supports bilateral economic relations, as evidenced, in particular, the Belarusian-Pomeranian regional economic forum, which took place on September 14 in Minsk.

However, for the development of cross-border cooperation (especially in the tourist dimension) associated with the possibility of visa-free entry to the territory of Hrodna region,

changes to the Treaties between the Government of the Republic of Belarus and the Government of the Republic of Poland on the issue of border crossings will be necessary². From the point of view of Poland, an additional factor that simplifies and strengthens regional cooperation with Belarus will be the end of the ratification of the agreement on small border traffic by the Belarusian side. It could simplify not only personal contacts but also will provide additional funds for the development of border infrastructure, as it happened with other treaties of this kind signed by the EU member states.

Social and cultural contacts

The social and cultural contacts were of a great importance. Belarus was one of the countries that took part in the Warsaw book fairs in February and May. Theatres from Poland took part in Belarusian ‘Slavonic theatrical meetings’ in Homiel and in the festival ‘Bielaja Wieża’ in Brest. In May, in Braslaŭ there was a solemn opening of the Polish-Belarusian sailing school ‘The Wind of Friendship’, which was financed from the funds of Polish developmental aid.

According to the statements of Deputy Minister of Culture Vasily Chernik and Paul Lewandowski, who met in Minsk in March 2017, both countries are planning a joint celebration in 2020 of the 150th anniversary of the birth of Ferdinand Ruszczyk – a painter, graphic, stage decorator and teacher.

In November 2017 the twelfth meeting of the Polish-Belarusian intergovernmental Commission on cooperation in science and technology was held in Warsaw. During the meeting they discussed the contest for the implementation of joint Belarusian-Polish scientific and technical projects. The funding received 11 applications in the fields of electronics, machinery and modern agricultural technologies. During the meeting an agreement was signed on scientific-technical cooperation between the Institute of Nuclear Problems of the Belarusian State University and the

² “Umowa między Rządem Rzeczypospolitej Polskiej a Rządem Republiki Białoruś w sprawie przejść granicznych, M.P. 2003 nr 37 poz. 518.” *Internetowy System Aktów Prawnych*. Web. 4 Apr. 2018. <<http://prawo.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=WMP20030370518>>.

Polish National Centre for Synchrotron radiation SOLARIS. It should be noted that the subjects from both countries signed more than 50 agreements and memoranda of cooperation.

Poland and Belarus are jointly conducting the restoration of many churches, located mainly on the territory of the Hrodna region.

The importance of human contact should also be emphasized. All the consular offices of Poland in Belarus in 2017 issued 418.6 thousand visas (an increase compared to 2016 is by 5.1%). Citizens of Poland were at the forefront of people using the right of visa-free entry to the territory of Belarus in the Hrodna region, and Minsk-2 airport. In 2017 the number of persons crossing the Polish-Belarusian border increased by 17% compared with 2016. The Polish border service recorded 8 million 269 thousand crossings³.

Conclusion

Improved political relations contributed to the cultural, scientific and social relations. However, Polish-Belarusian relations constantly face the burden of multiple unresolved issues. Some of them can be attributed to bilateral issues, the solution of which depends only on the governments of both countries. Among these problems is small border crossing agreements, the settlement of the status of the Union of Poles in Belarus and TV channel 'Belsat'.

Part of the unresolved issues arises from the political situation in the region of Central and Eastern Europe. The problem of security is overshadowed by the aggressive Russian policy towards Ukraine. This, in turn, calls into question the security policy of Belarus, which together with Russia is a part of the Union State and is in a close military, political and economic union. The most important is the degree of independence of Belarus in its foreign policy, especially in improving relations with the EU and NATO. All this limits the possibilities of cooperation of Poland and Belarus. Therefore, the search for the next areas for cooperation between Poland and Belarus is limited.

³ "Statystyki SG styczeń-grudzień 2017." *Straż Graniczna*. Web. 4 Apr. 2018. <<https://www.strazgraniczna.pl/pl/granica/statystyki-sg/2206,Statystyki-SG.html>>.

BELARUS-UKRAINE: FROM PRIVILEGED TO 'HYBRID' PARTNERSHIP

Gennady Maksak

Summary

In 2017, the political dialogue between Minsk and Kiev can be described as 'hybrid.' Despite the intensification of contacts at the highest level, Belarus took a number of unfriendly actions towards its neighbor, some of which were due to the special nature of the Belarusian-Russian interactions, in particular, the specific nature of the army exercise West-2017. A negative public response overshadowed the bilateral dialogue, specifically when it came to national security.

Against this backdrop, trade and economic cooperation was flourishing, being accompanied by frequent interagency contacts. The parties managed to adopt several sectoral roadmaps for the medium term and agree on new institutional forms of cooperation.

Trends:

- The presidents maintained stable political contacts; diplomatic interaction became more active;
- The mutual distrust was growing due to some actions of Minsk discordant with the public political discourse;
- Over time, Belarus lost its status of a neutral state in relation to Ukraine;
- The bilateral interdepartmental sectoral cooperation got closer;
- The countries stepped up the trade and economic cooperation. As usual, Belarus enjoyed a trade surplus.

Political dialogue

The outlook for strengthening the political dialogue between Belarus and Ukraine was optimistic in 2017. Firstly, in early 2017, Kiev decided to appoint an ambassador to Belarus. The office had been vacant since 2015. In May 2017, President Lukashenko accepted the credentials of new Ambassador Igor Kyzym who started working on the resumption of diplomatic contacts right away.

Secondly, contacts at the level of the heads of state contributed to the restoration of the full-scale diplomatic chan-

nel. In April 2017, President of Ukraine Petro Poroshenko made a working visit to Belarus at the invitation of the Belarusian side. Trade and economic matters topped the official agenda. Unofficially, security issues were addressed behind closed doors. Constructive arrangements made it possible for Lukashenko to make an official visit to Ukraine in July. The presidents met for the third time in November to discuss accumulated problems.

Thirdly, Belarusian-Ukrainian contacts were promoted by Minsk's efforts in the international arena. In 2017, Belarus chaired the Central European Initiative (CEI), set up several official meetings, and hosted a regular session of the OSCE Parliamentary Assembly. Ukrainian official delegations took part in those events.

At the same time, despite certain progress in the political dialogue at the highest level, the year began with some unfriendly steps towards Ukraine on the part of Belarus. In March, amid the crackdown on protests, Belarusian law enforcers tried to find a Ukrainian link in the 'provocations' in Belarus.¹ Lukashenko claimed that the KGB arrested militants engaged in the preparation of provocations and "training of armed insurgents in boot camps" in Ukraine.² Kiev responded with a note of protest and summoned the Belarusian ambassador to Ukraine for explanation. Minsk never provided concrete evidence to substantiate the president's statements.

In the socio-cultural and humanitarian areas, the sides signed a number of interdepartmental documents on the development of physical education and sports, culture, interethnic relations and scientific cooperation, and agreed on symmetrical terms for the stay of Ukrainian nationals in Belarus and the stay of Belarusians in Ukraine without reporting to the migration authorities.

¹ «Беларусь и Украина усилили меры безопасности на границе в зоне попытки прорыва.» *TUT.by*. 21 Mar. 2017. Web. 12 Mar. 2018. <<https://news.tut.by/society/536144.html>>.

² «В Беларуси задержали готовивших провокацию с оружием боевиков.» *БелТА*. 21 Mar. 2017. Web. 12 Mar. 2018. <<http://www.belta.by/president/view/v-belarusi-zaderzhali-gotovivshih-provokatsiju-s-oruzhiem-boevikov-238543-2017/>>.

International initiatives

The Eastern Partnership provided opportunities for bilateral task meetings in 2017, but still did not become a venue for mutual understanding. In April, the foreign ministers of Belarus and Ukraine met during the summit of the Visegrad Four and Eastern Partnership in Warsaw. At the November informal meeting in the UAE, the presidents discussed a joint position to be stated at the Eastern Partnership summit. However, at the November summit in Brussels, Minsk, as always, did not support Kiev's proposal to include statements on the illegal occupation of the Crimea and Russian aggression in the final declaration.

Minsk did not support the resolution on the Crimea in the UN General Assembly, which was important to Ukraine, and voted in favor of Russia, which was supported by several Asian and African nations. As a result, representatives of the Ukrainian government questioned the neutrality of Belarus and the advisability of continuing to use Minsk for meetings of the Tripartite Contact Group on Ukraine.

Defense and security

In this environment, Kiev reacted to Minsk's proposal to send Belarusian peacekeepers to the Donbas region with a great deal of skepticism. In general, Kiev and Minsk's views on regional and national security differed fundamentally.

Throughout the year, Kiev repeatedly voiced concern about the strategic military exercise West-2017 in the territory of Belarus. This concern was not unfounded. During the previous exercise, West-2013, Ukrainian security services reported that Russia was working on a plan to invade Donbas in 2014.³

At times, Ukraine's doubts concerning the harmlessness of the army exercise were articulated so strongly that the president of Belarus had to spend hours giving explanations to his Ukrainian counterpart.

³ «Россия отработывала вторжение на Донбасс в Беларуси.» *Inforesist*. 22 Feb. 2016. Web. 12 Mar. 2018. <<https://inforesist.org/rossiya-otrabatyivala-vtorzhenie-na-donbass-v-belarusi/>>.

Measures taken to facilitate monitoring of the exercise were not particularly helpful. Ukrainian representatives in the international group of observers spoke about “virtual transparency” and non-conformity of the declared defensive nature of the exercise to its actual goals.⁴

Kiev substantially strengthened border control before and during West-2017. Minsk even tried to accuse the Ukrainian side of air intrusion when its air force was monitoring the border. Ukraine side resolutely refuted the allegation.⁵

The kidnapping of Ukrainian national Pavlo Gryb from the territory of Belarus by the Russian FSB strained relations. Gryb was found in a pretrial detention facility in Russia shortly after. Kiev was certainly unhappy about Minsk’s lethargy in the investigation into the incident and the very fact that foreign security services apparently feel perfectly at home in Belarus.

The detention of Ukrainian journalist Pavlo Sharoyko by the KGB of Belarus was another high-profile incident. Sharoyko was later officially arrested on the charge of espionage. Minsk accused the Ukrainian side of making it public contrary to the usual practice. A Belarusian citizen was detained in Ukraine in June also on suspicion of espionage, and that case was not given so much publicity.⁶ The spy scandal with Sharoyko affected the bilateral diplomacy. Ukraine ordered a Belarusian diplomat out of the country after Belarus declared Ukrainian embassy counselor Igor Skvortsov *persona non grata*.

The year 2017 saw several more detentions of Ukrainian citizens in Belarus followed by exchanges of notes through diplomatic channels and public statements.

⁴ «Власти Беларуси имитировали открытость учений “Запад-2017”, – Минобороны.» *Деловая столица*. 25 Sep. 2017. Web. 12 Mar. 2018. <<http://www.dsnews.ua/politics/vlasti-belarusi-imitirovali-otkrytost-ucheniy-zapad-2017--25092017191600>>.

⁵ «Госпогранслужба Украины: Самолет не залетал на территорию Беларуси.» *Sputnik Belarus*. 28 Sep. 2017. Web. 12 Mar. 2018. <<https://sputnik.by/society/20170928/1031063614/ukrainskaya-storona-otritsaeftakt-narusheniya-samoletom-belorusskoy-granitsy.html>>.

⁶ «Беларусь призывает Украину разобраться в деле “белорусского шпиона”.» *News.21.by*. 12 Oct. 2017. Web. 12 Mar. 2018. <<http://news.21.by/politics/2017/10/12/1384472.html>>.

During the April meeting at the Chernobyl nuclear power plant and the Lyaskovichi residence, the presidents spoke about speeding up the demarcation of the Belarusian-Ukrainian border, especially the Ukrainian section, where Ukraine is considerably behind Belarus in this respect. In July, in order to intensify the demarcation, President Poroshenko changed the composition of the Ukrainian delegation to the joint Belarusian-Ukrainian demarcation commission. The commission's work was given a new impetus. It held two meetings in August and December.

In the area of the military-technical cooperation, Minsk officially announced a reduction of the number of contacts with Kiev referring to the status of Belarus as a place for meetings on the resolution of the conflict in Donbas.⁷ It can be assumed that the position of Russia influenced the dynamics of the military-technical cooperation as well.

Economics and energy

The intensity of bilateral business contacts and the presence of institutional and contractual bases suggest a considerable potential of the trade and economic cooperation. The ambassador of Belarus to Ukraine said that “the foreign economic relations continue to uphold strategic partnership.”⁸

Economic diplomacy was an integral part of the contacts at the highest level throughout the year. The 1st Belarusian-Ukrainian Economic Business Forum took place in July when Lukashenko was on an official visit to Ukraine. The parties signed a number of bilateral documents and contracts for a total amount of over USD 47 million. During the Forum, as part of cooperation between the Chambers of Commerce and Industry, the Belarusian-Ukrainian Advisory Business Cooperation Council held its 6th session.

⁷ «В Беларуси назвали причину замораживания ВТС с Украиной.» *Интерфакс-Украина*. 31 Jan. 2018. Web. 12 Mar. 2018. <<http://interfax.com.ua/news/economic/481402.html>>.

⁸ «Посол И. Сокол: белорусско-украинское сотрудничество развивается динамично.» *Интерфакс-Украина*. 13 Dec. 2017. Web. 12 Mar. 2018. <<http://interfax.com.ua/news/press-release/469148.html>>.

Prior to the visit, at the 25th session of the Intergovernmental Belarus-Ukraine Joint Commission on Trade and Economic Cooperation, the delegations signed a memorandum of cooperation, which supplemented and expanded the agreements that are on the Cooperation Development Roadmap for 2017–2020 adopted at the 24th session in 2016. Under the said agreements, Belarusian-Ukrainian inter-sectoral task groups met eight times at the level of deputy ministers. Roadmaps and action plans for 2018 and 2017–2020 were approved.

In 2017, Belarus and Ukraine achieved the forecast indicators: the total turnover amounted to nearly USD 4,6 billion (a 20% year-on-year increase).⁹ As usual, Minsk maintained and increased a trade surplus, which was at USD 2,15 billion in 2017. A significant proportion of it consisted of revenues from the export of oil products. Belarus is of strategic importance to Ukraine in terms of energy security and a reduction of the heavy dependence on energy supplies from Russia. In total, Ukraine imported 7,8 million tons of oil products worth around USD 4,2 billion. Belarus' export of oil products to Ukraine amounted to 1,83 billion. The country topped the list of suppliers to Ukraine. Russia came second, while Lithuania came third.¹⁰

Conclusion

The Belarusian-Ukrainian political dialogue is turning 'hybrid.' It combines intensified contacts at the highest level and reliance on informal communication, and, at the same time, unfriendly acts and the incoherent position of Minsk in the context of the Russian-Ukrainian conflict.

⁹ «Данные о внешней торговле Республики Беларусь по отдельным странам.» *Национальный статистический комитет РБ*. Web. 12 Mar. 2018. <http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-okruzhayushchaya-sreda/vneshnyaya-torgovlya_2/operativnye-dannye_5/eksport-import-s-otdelnymi-stranami/>.

¹⁰ «2017 Украина импортировала 1 млн тонн нефти на \$442,2 млн и 7,8 млн тонн нефтепродуктов на \$4,2 млрд.» *Terminal*. 05 Jan. 2018. Web. 12 Mar. 2018. <<http://oilreview.kiev.ua/2018/01/05/v-2017-ukraina-importirovala-1-mln-tonn-nefti-na-4422-mln-i-78-mln-tonn-nefteproduktov-na-42-mlrd/>>.

Despite the obviously inspiring dynamics of the bilateral political dialogue, there is no reason to believe that a breakthrough is possible in the near future, first of all because Belarus has to prioritize relations with Russia. In this regard, the neutrality of Belarus remains nominal.

Under the circumstances, the increased trade and economic cooperation between Belarus and Ukraine can be considered a return to the situation of the early 2000s, when partial freezing or suspension of the political dialogue was compensated by record-breaking accomplishments in trade.

BELARUS AND DEVELOPING COUNTRIES: CRITICAL OPTIMIZATION OF RELATIONS

Sergei Bogdan

Summary

In 2017 Belarus pursued a relatively cautious policy towards countries of the developing world, except for China. But this policy was most likely the beginning of a critical reassessment of these relations and not stagnation. The staff of the Ministry of Foreign Affairs was reduced; new schemes of cooperation with developing countries were searched for. The policy for this category of countries was not revised: the tendency of Belarusian officials to set unrealistic tasks is still alive, as well as the focus on the development of economic interaction without proper training of industry entities. However, the corresponding critical approach increased during the year and touched even the cooperation with China. Branch accents were also shifted, now attention is paid not only to the advancement of engineering products, but also to the food industry, etc.

Trends:

- Development of relations with China remains one of the fundamental priorities of foreign policy;
- Political engagement with the countries of North Africa, South and South-East Asia again contributed to economic engagement;
- Despite unrealistic plans to increase trade, Minsk notes more criticality and flexibility in relations with the developing countries.

Better Chinese future

The main focus for Minsk was Beijing – not only as an important partner, a huge market and a source of investment. China is the main hope of the Belarusian leadership for a better future. Minsk hopes that if it keeps the Chinese side, then, taking into account the rise of China, sooner or later, this great country will remake the global rules and classifications and, will give in particular, to the Belarusians a better life and protect them from the West and Russia. Minsk believes that this is just a matter of time, and problems with Moscow or the West in this logic are perceived as temporary difficulties.

Minsk supported the global ambitions of Beijing, on 13–15 May, President Lukashenko took part in the forum ‘Belt and

Road Forum' (BARF) in Beijing. The Belarusian authorities say that Belarus is involved in two of the four 'key routes of the new silk road'.¹ However, in reality Minsk has to fight for its place in the initiative, as Belarus does not belong to any of the official corridors of BARF and is an annex to the Russian direction.

Belarus also joined international structures dominated by China, like the Shanghai Cooperation Organization.

The Chinese side noted the position. During the year Belarus was visited by six Chinese officials of the Ministerial level, as well as the leadership of three Chinese provinces, there were contacts with major Chinese businesses ('Midea Group', 'Sinomach', China UnionPay, etc.).

Minsk seeks a comprehensive partnership with China, despite the problems of economic cooperation with this country. Since the mid-2000s, Belarus experiences a large deficit in trade with China, and this issue was regularly raised in bilateral negotiations in 2017.

Beijing reacts to criticism of Minsk, giving the latter some help. For example, the meeting of Lukashenko and Xi Jinping resulted in signing of an agreement on technical-economic assistance for the construction of public housing in Belarus. In June, Beijing delivered another batch of armored vehicles as an aid to the Belarusian army. China also opened its market for Belarusian food products: in 2016 – for dairy products and in 2017 – for meat. In absolute terms, the export of the latter is still modest, but China is important as an alternative to the Russian market.

However, even tasks in increasing exports to China in 2017–2020, approved in May by the Belarusian government, show that Minsk does not expect in the near future to overcome the trade deficit. What is more, in 2017 the export of Belarusian goods to China decreased by 23.3% and amounted to USD 362,7 million, and import increased by 28.8% having reached USD 2,743 billion. As a result the negative balance grew to USD 2,381 billion.

¹ "Opening of Belt and Road Forum for International Cooperation." *The Official Internet Portal of the President of the Republic of Belarus*. 14 May 2017. Web. 27 Mar. 2018. <http://president.gov.by/en/news_en/view/working-visit-to-peoples-republic-of-china-16178/>.

Minsk uses Chinese money and technology to restructure the industry. For example, 'Amkador', a manufacturer of heavy equipment, received a Chinese loan of more than USD 192 million for the construction of a new plant. China's CITIC Construction Co. in 2017, finished the construction of the plant 'BELGEE', and completed the second stage of modernization of Orša flax factory. *Zoomlion* started in Mahiliou a joint production with MAZ of construction and utility equipment and signed an agreement with the plant 'Strommashyna'.

Beside the achievements, there are contradictions. Minsk did not agree with the Chinese company *Zongshen* on the sale of 'Homselmash', as the conditions were not acceptable for Belarus.² The construction of a factory on manufacture of engines 'MAZ-Weichai' began, which will create an alternative to Minsk motor plant.

An ambiguous situation exists around the most bombastic Chinese-Belarusian project, an Industrial Park of Great Stone. According to the Belarusian leadership, it should become a tool for Belarusian participation in the Chinese initiative of BARF.³

Belarusian government officials boast that the Park is being built ahead of deadlines. But Deputy Prime Minister Anatoly Kalinin admits that 'the larger tasks of attracting investment and residents' are yet to be implemented.⁴ The Belarusian authorities insist that the Park should welcome the latest technology, demonstrating the concern of the Belarusian side on this. One of the ways out is the attraction of Chinese state-owned corporations, including the defensive industry.⁵

² «Не сошлись характерами.» *СБ. Беларусь сегодня*. 30 Jan. 2018. Web. 27 Mar. 2018. <<https://www.sb.by/articles/ne-soshlis-kharakterami-investori.html>>.

³ «Совещание по приоритетам внешней политики Беларуси на современном этапе.» *Официальный портал Президента РБ*. 11 June 2017. Web. 27 Mar. 2018. <http://president.gov.by/ru/news_ru/view/soveshanie-po-prioritetam-vneshnej-politiki-belarusi-na-sovremennom-etape-16653/>.

⁴ «Анатолий Калинин встретился с представителем компании China Merchants Group.» *Совет министров РБ*. 21 Mar. 2017. Web. 27 Mar. 2018. <<http://www.government.by/ru/content/7115>>.

⁵ "Meeting with Chairman of State-owned Assets Supervision and Administration Commission at China's State Council Xiao Yaqing." *The*

Minsk tries to obtain the strategic support of Beijing in the short term. In particular, the government in 2017 was negotiating the placement of Belarusian bonds on the Chinese market, which would allow Minsk to raise funds. On the other hand, during the May meeting of the Belarusian and Chinese leaders, Beijing promised to consider the allocation of funds to Minsk to complete its Oil refinery upgrade, which would strengthen the economic independence of Belarus. For this project Minsk asks from the CPR approximately USD 1 billion of untied loans for the purchase of Western technology.⁶

Middle East: calm as ever

Minsk focuses on the developing of relations with the wealthy Arab monarchies associated with the West and the Middle East and South Asian regimes (Turkey, Egypt, Pakistan) that are close to these monarchies. At the same time, Belarus has minimal contact with their regional adversaries – Iran, Iraq and Syria.

As for cooperation in 2017, there is no need to overestimate the importance of the working visit of the Belarusian President to the UAE in November, which lasted almost two weeks, but had a minimal of official contacts.

A more important direction for Belarusian policy in the region was Turkey. During the May Forum in Beijing Lukashenko met with Turkish President Erdogan. They agreed to intensify work on the creation of joint ventures.⁷ On July 27 the delegation of the Turkish government visited Belarus and by the end of the year two Turkish Ministers paid visits to Belarus.

Official Internet Portal of the President of the Republic of Belarus. 1 Aug. 2017. Web. 27 Mar. 2018. <http://president.gov.by/en/news_en/view/meeting-with-chairman-of-state-owned-assets-supervision-and-administration-commission-at-chinas-state-16771/>.

⁶ “Meeting with China President Xi Jinping.” *The Official Internet Portal of the President of the Republic of Belarus.* 16 May 2017. Web. 27 Mar. 2018. <http://president.gov.by/en/news_en/view/meeting-with-china-president-xi-jinping-16199/>.

⁷ “Participation in Belt and Road roundtable summit in Beijing.” *The Official Internet Portal of the President of the Republic of Belarus.* 15 May 2017. Web. 27 Mar. 2018. <http://president.gov.by/en/news_en/view/participation-in-belt-and-road-roundtable-summit-in-beijing-16197/>.

The Belarusian government was in contact with large Turkish companies – the construction company *Emsas* and telecommunications company *Turkcell*. Belarusian companies *Homselmash* and *Amkador* are working on setting up joint ventures in Turkey.

The trade turnover with Turkey in 2017 amounted USD 114.9% from the volume of 2016 and reached USD 942,1 million. It was the third largest negative balance for Belarus – USD 673,4 million, but due to the potential re-export it is difficult to assess the impact of this supply growth to the trade balance of the country.

Contacts with the countries of the opposite regional grouping centered on Iran were too modest. Belarus provided humanitarian assistance to Syria and took a few dozen of Syrian children on vacation.

Africa ends in Egypt and Sudan

On 14–17 January, President Lukashenko visited Egypt and Sudan, where he signed memorandums in the field of culture and military-technical cooperation and declared the readiness of joint production in the field of mechanical engineering that will not be the first attempt to do this. As Ambassador of Belarus to Egypt, Rachkov reported the assembling of MAZ stopped in 2015, but the assembling of MTZ tractors continues.⁸ Lukashenko met separately with Minister of Defense and Military Production of Egypt Sedki Sobhy.

As a result, in 2017 the export to Egypt compared with the previous year actually increased from USD 43,5 million to USD 76,1 million with a much lower import – USD 14,5 million and USD 21,3 million, respectively.

The visit of Lukashenko to Sudan was similar to the Egyptian one. Lukashenko underlined that Minsk does not listen to the ‘world powers’, which sounded eloquently in the light of the international tension around Sudan. Later, Minsk was visited by the delegation headed by the Chairman of the Sudanese

⁸ «Интервью Чрезвычайного и Полномочного Посла Республики Беларусь в Арабской Республике Египет С.Рачкова журналу «Конъюнктура рынков» (№ 7, декабрь 2016).» *Министерство иностранных дел РБ*. Dec. 2017. Web. 27 Mar. 2018. <<http://mfa.gov.by/press/smi/ada9a1be679dd496.html>>.

Parliament Ibrahim Omer. Road maps of collaboration and agreement between ‘Belarusnafta’ and the Ministry of Oil and Gas were signed in Sudan.

Contacts with Sudan had little effect on economic relations. Export dropped from USD 34,3 million to USD 9,9 million, and import grew from USD 3,9 million to USD 12,1 million

Interactions with the countries of Sub-Saharan Africa were sporadic.

South Asia: breakthrough with Pakistan did not happen

Relations with Pakistan brought little benefit, despite the rapid development of relations with this country in the last three years, mutual opening of the embassies and a lot of contacts with two visits of President Lukashenko to Pakistan and the signing of more than 70 documents. On 1–5 February Belarus was visited by Mian Raza Rabbani, Chairman of the Senate of Pakistani Parliament.⁹

Realizing the limited capabilities of the Pakistani side, Minsk calls for cooperation with the third countries and joint implementation of large-scale projects, applying to ‘the Pakistan-China economic corridor’.¹⁰

The Belarusian government aims to achieve by 2020 in trade with Pakistan USD 1 billion, but this is an unrealistic figure. Even in 2017, after a wave of intense contacts, export grew only to \$ 64,3 million (in 2016 it was USD 50,4 million).

On 11–12 September, President Lukashenko went to India, the country which is the traditional opponent of Pakistan. During this visit memorandums on cooperation in scientific-technical sphere, the oil and gas sector, etc. were signed. Furthermore, different kinds of agreements were signed by Belarusian Potash Company, ‘Belzarubezhstroy’, MTZ, ‘Homselmash’ and BELAZ.

⁹ «Беларусь и Пакистан намерены достичь товарооборота в 1 млрд долларов к 2020 году.» *СТВ*. 2 Feb. 2017. Web. 27 Mar. 2018. <<http://www.ctv.by/belarus-i-pakistan-namereny-dostich-tovarooborota-v-1-mlrd-dollarov-k-2020-godu>>.

¹⁰ «Андрей Кобяков встретился с Председателем сената парламента Пакистана.» *Совет министров РБ*. 2 Feb. 2017. Web. 27 Mar. 2018. <<http://www.government.by/ru/content/7010>>.

At the meeting with the Prime Minister of India Narendra Modi the Belarusian leader promised to facilitate the conclusion of free trade agreement between the EEU and India and proposed that India create in Belarus a scientific and technological industrial Park.

Export to India in 2017 compared with the previous year increased from USD 272,5 million to USD 308,1 mln, and import grew from USD 134,1 million to USD 147 million, a surplus remained.

Southeast Asia: are relations developing on their own?

On March 2 Belarus was visited by the Minister of Public Security of Vietnam General Tô Lâm, and on 26–28 June the President of Vietnam Trần Đại Quang paid an official visit to Minsk. Vietnam is a traditional partner of Belarus in the region. During the negotiations Minsk proposed to increase supplies of engineering products and potash fertilizers as it was expected, but it also declared its willingness to increase purchases of Vietnamese products, particularly rubber and agricultural products.¹¹

On 30 May – 1 June, Belarus was visited by a delegation from Thailand. During the talks the creation of a basic framework for the development of relations was discussed, which is still missing. Minsk called on Thai officials to re-examine adverse Thai tariffs for Belarusian goods.

In the case of Vietnam and Thailand, the lack of strong correlations between political measures is apparent. Vietnam is a longstanding partner of Belarus, Minsk created all opportunities for the development of cooperation with this country and between the officials of two countries there are a lot of contacts, but the trade with Vietnam is not much bigger than the trade of Belarus with Thailand, where there are no such favorable conditions.

In fact, exports to Vietnam in 2017 declined compared to the previous year from USD 76,7 million to USD 76,3 million, and

¹¹ «Встреча с Президентом Социалистической Республики Вьетнам.» *Совет министров РБ*. 27 June 2017. Web. 27 Mar. 2018. <<http://www.government.by/ru/content/7338>>.

import increased from USD 44,2 million to USD 59 million. In these years the exports with Thailand dropped from USD 54,1 million to USD 50,8 million, and import increased from USD 34,7 million to USD 38,4 million.

Latin America: an almost lost direction

Latin America remained on the margins of Belarusian foreign policy. Minsk could not overcome the crisis in relations with the region, which began as a result of the decline of the partnership with Venezuela after the aggravation of the situation in the country. Even V. Sheiman, who is close to the Belarusian leader and who has long been engaged in relations with Latin America, recently has switched to promoting relations with Africa.

Conclusion

The Belarusian government pursues its policy in relation to developing countries with lesser efforts. This does not mean a lack of interest in this area, because with the modesty of the results achieved in cooperation with most of the individual countries, in general, the interaction with them gives the opportunity to offset the negative balance, to cover markets and other problems in other areas. Anyway, Minsk reduced the number and the level of visits in 2017.

The exception is China. Minsk conducts a separate, strategically-oriented policy in regard to this country, which is based on ignoring difficulties in the shorter term for the expected benefits in the longer term.

As acknowledged by Belarusian officials, Belarus cannot work for each country separately. So it needs to focus on specific countries in each region, which will help it to enter the regional market. This policy, a kind of economic bandwagoning, seems to be one of the models of the Belarusian ways to enter the developing world.

A critical re-evaluation and more flexible approaches will be expanded in Belarusian policy regarding the developing world. Official contacts are expected to stay at a fairly reserved level in comparison with those before the mid-2010s.

SOCIETY

CIVIL SOCIETY: SPRING SHOCKS UNABLE TO REVERSE PAST TRENDS

Yuri Chausov

Summary

In 2017, the trend of abandoning confrontation continued in the sphere of legal regulation and building mechanisms of cooperation between the state and non-profit organizations (NPOs). But the increased protest activity at the beginning of 2017 in connection with the socio-economic policy of the authorities the restrictive and repressive practices returned. The contradictory nature of these two trends manifested itself in their mutual deterrence. On the one hand, against the background of repressions, expectations of friendly relations between the state and civil society decreased, although the previously launched dialogue platforms continued their work. On the other hand, the dialogue between the state and the civil society, taking into account the warming of relations between the official Minsk and Western capitals, had a limited impact on the scale and extent of repression, as well as on their long-term use.

Trends:

- Return of the authorities to the most severe repressive practices against protest groups;
- Continuation and expansion of interaction between civil society and the state;
- The growth of the registration of public associations;
- The development of crowd funding and volunteering.

Repressive reaction of the authorities to the protests of winter—spring 2017

From February to March 2017, a wave of protests against decree No. 3 *On prevention of social dependency* swept across Belarus. During the suppression of protest activity, the authorities returned to the rigid practices of repression: detentions and arrests of activists (including preventive), search and seizure in the offices of NPOs, warnings to institutions concerning their participation in the protests, criminal charges in case of preparation of mass riots.

At the peak of the protests, the authorities returned to the practice of mass arrests of participants of unauthorized actions and participants of permitted rallies. During 2017, according to the *Viasna* human rights center, 1,280 cases of politically

motivated administrative prosecution were recorded (in 2016 there were 61 cases) and 311 cases of administrative arrest (a hundred times more than in 2016). The peak of repression occurred on 25 March, when in Minsk the traditional demonstration dedicated to *Freedom Day* was organized, which was brutally broken up, about 700 people were detained 149 of them were brought to administrative responsibility, and the Ministry of Justice issued warnings for holding unauthorized actions to three organizations (BPF, the United Civil Party, the movement *For Freedom*). During this and other spring actions, 96 arrests of journalists were recorded according to BAJ, 10 of which ended with administrative arrests.

The authorities have returned to the practice of searches and seizures in the offices of NPOs. More than 50 journalists and human rights defenders were detained in the office of *Viasna* center. Searches were also carried out in the premises of the organization ‘Institute of Mathematics and Cybernetics’, independent TV channel *Belsat*, NPOs in Orša, Baranavičy, Sluck, etc., as well as in the houses of activists.

The practice of politically motivated criminal cases based on the participation of citizens in non-governmental associations was renewed. On 21–24 March, 32 citizens were detained on suspicion of committing a crime under part 3 of article 293 of the Criminal code (training or other preparation of persons for participation in mass riots, as well as financing or other material support of such activities). In the future, 16 detainees were charged with additional charges under art. 287 of the Criminal code (establishment of an illegal armed formation) and the charges of preparing mass riots were lifted. Some of the detainees were previously activists of the Association *White Legion*, which announced the termination of its activities in 2005, also among those arrested were members of opposition groups *Young Front*, the BPF and sports club *Patriot* associated with the authorities. The arrests were accompanied by a propaganda whipping up hysteria in state-run media that spread ‘materials unmasking the perpetrators’ provided by the intelligence services till the end of the investigation, presenting the protests as part of a conspiracy the aim of which was to overthrow the government. In November, the charges against all the defendants were lifted and the case was dismissed.

At the end of the active phase of the spring protests, the repressive activities of the authorities continued during the summer and autumn, gradually fading. By the end of the year, arrests once again became a rare form of sanction for participating in rallies.

In August, the Department of Financial Investigations of the State Control Committee opened a criminal case against the Chairman of the independent trade union of Electronic Industry Workers (EIW) Gennady Fedynich and his Deputy Igor Komlik under article 243 of the Criminal code (tax evasion). They were accused of opening accounts on behalf of the union in foreign banks, where the funds arrived. This trade union was an active participant and organizer of protests against decree No. 3. As part of the criminal case, searches and seizures of representatives of the media were carried out in the offices of the EIW and the Belarusian independent trade unions (miners, chemists and other workers), as well as in the apartments of union members. Human rights organizations announced that they regard these criminal cases as politically motivated.

These cases of political repression and restrictions on the activities of NPOs indicate a deterioration of the legal climate for civil society structures in 2017 compared to the period of 2014–2016.

Registration of NPOs

As of 1 January 2018, there are 2,856 public associations in Belarus, including 223 international, 762 republican and 1871 local ones. 195 funds (16 international, 7 national and 172 local) are registered in the country. In 2017, 150 new public associations (6 international, 27 republican and 117 local) were registered by the judicial authorities, which is the highest indicator since 2004, as well as 22 new funds (1 republican and 21 local)¹.

¹ «О результатах работы органов юстиции по государственной регистрации общественных объединений, фондов и других некоммерческих организаций в 2017 году.» *Министерство юстиции Республики Беларусь*. 21 Feb. web. 14 Mar. 2018. <https://minjust.gov.by/press/news/about_results_of_work_of_bodies_of_justice_for_state_registration_of_public_associations_foundations/?sphrase_id=1366>.

In the areas of activity, the stable dominance of sports and sports organizations continues, compromising one third of all new organizations.

In 2017, the justice bodies refused to register public associations 'Moladz' Adradzennia', 'Haysy', 'Dzeja', 'Zhanochaya setka 'Mara', 'Ekograd', 'Gender Partnership', 'Social-Christian Movement', funds 'Green network', 'Makeout', etc.

In May 2017, from the sixth attempt, the authorities registered the Association 'Tell the Truth'. The organization was founded in 2010 as a political campaign actively participating in elections and political processes. In recent years, it has consistently advocated dialogue with the authorities to promote reforms and the interests of public groups, positioning itself as constructive opposition. The organization submitted applications for registration of its local offices in all regions of Belarus and in Minsk, and some had been registered before the end of 2017.

Given the difficulties in registering public associations and foundations, the institution remains the main form to obtain the status of an officially registered legal entity for non-profit initiatives.

Change in legislation

The law *On public associations* was last amended in November 2013. However, a number of bills announced by the government may lead to changes in the legal regulation of NPOs in the near future.

On 28 February 2017, presidential decree No. 2 approved a new version of the Regulation on liquidation (termination) of economic entities approved by presidential decree No. 1 of 16 January 2009. It came into force in September 2017 and became an occasion to solve the problem of unjustified liquidation of NPOs registered in the form of institutions, because of their failure to carry out business activities. The Ministry of Taxes and Duties instructed the district tax inspectorates to stop unjustified liquidation of NPOs.

On 3 February 2017, the Code on Culture came into force, giving to creative unions the additional right to carry out certain

types of entrepreneurial activity, fixing the concepts of ‘sponsor of culture’ and ‘patron of culture’.

A draft Decree providing changes in sponsorship² was prepared. The Ministry of Economy held a meeting with the participation of state bodies and NPOs to finalize the draft Decree for the development of charitable activities in Belarus.

The Ministry of Economy and the National Bank held consultations on the possibilities of legal regulation of crowdfunding, which were held with the participation of the most authoritative crowdfunding online platforms of Belarus, as well as NPOs and the academic sector. In late 2017, the state held discussions with interested NPOs on the draft Decree regulating the procedure for obtaining and using foreign aid. The legislation on the participation of NPOs in social services continues to be improved.

The government submitted the draft amendments to the law *On mass events* to the Parliament. Along with the introduction of elements of the announcement of mass events, the project provides for the introduction of administrative liability under article 23.34 of the Code of administrative offences for legal entities (including NPOs) in the form of a large fine for violation of the procedure of mass events.

Elements of public dialogue

In 2017, the state continued its policy of openness to the dialogue with NPOs on legislative and public policy changes. However, in the process of dialogue, there are still shortcomings: the involvement of a limited number of organizations in the consultations, the formal nature of the dialogue without taking into account the real position of the public, a small number of effective platforms for dialogue, the lack of access to information by NPOs and to draft developed regulatory legal acts, an extremely short period for the preparation of comments and proposals to the draft laws,

² *Website of Lawtrend, Center of Legal Transformation*. Web 14. Mar. 2018. <<http://www.lawtrend.org/freedom-of-association/obshhestvennoe-obsuzhdenie-proekta-ukaza-predusmatrivayushhego-korrektirovku-ukaza-prezidenta-respubliki-belarus-ot-1-iyulya-2005-g-300-o-predost-avlenii-i-ispolzovanii-bezvozmezdnoj-sponsorskoj-pomos>>.

the lack of the system of generalization of the views expressed by the state during the public discussion and feedback on them.

In public discussions of projects of building and placement of new productions, state bodies prefer carrying out explanatory work on justification of expediency of the decisions to reckoning with the public opinion.

In 2017, the plan for the implementation of the recommendations of the UN³ Human Rights Council was still not finalized and no implementation mechanisms were acquired. On 12 December 2017, the MFA and the UN Office in Belarus organized expert-level consultations on the implementation of the plan which were more of an introductory nature.

The adoption of long-term plans and programs by the state becomes one of the main mechanisms for the dialogue for NPOs: the action program of the state bodies established in the plans becomes at least an agenda for dialogue, and in some cases — a means of ensuring coordinated or joint action. Among these plans, in addition to human rights are: the National action Plan for gender equality in the Republic of Belarus for 2017–2020, the National Plan of action for implementation in the Republic of Belarus of the Convention on the rights of persons with disabilities for 2017–2025, the National Plan of action for improving the situation of children and protection of their rights for 2017–2021.

These plans provide for the participation of NPOs in a passive way. The public can respond to the proposals of the authorities, take part in events at the invitation of state bodies, but most often this participation is occasional and fragmentary. The practice of non-publicity of measures for the implementation of plans, reports on their fulfillment closed from the public, which raises doubts about the effectiveness of such plans, is alarming.

NPOs continued to participate in bilateral communication platforms within the framework of the Belarus–Europe–Belarus–US dialogue on human rights. At the same time, it is necessary to note the gradual increase in the openness of the Belarusian

³ «Постановление Совета Министров Республики Беларусь от 24.10.2016 №860.» *Совет Министров Республики Беларусь*. 24 Oct. 2016. Web 14. Mar. 2018. <<http://www.government.by/ru/solutions/2661>>.

authorities and the EU in contacts with civil society. Meetings of the EU-Belarus Coordination group and the Dialogue on human rights are held with partial participation of representatives of Belarusian civil society⁴.

In October 2017, representatives of the Ministry of Foreign Affairs of Belarus took part in the annual Assembly of the Eastern Partnership Civil Society Forum for the first time. Some NPOs are actively involved in the activities of the Belarusian authorities to achieve the UN sustainable development goals.

In April 2017, for the first time in 20 years, Belarus submitted to the UN human rights Committee a report on Belarus' compliance with the international Covenant on Civil and Political Rights. The country thus liquidated long-standing arrears in the provision of periodic reports to the Committee.

By resolution No. 574, the government approved the National Program of International Technical Assistance by 2020, which is a list of priorities for the solution of which Belarus expects to raise funds from international organizations: harmonious human development, improvement of the institutional environment and the formation of the favorable business environment, environmental sustainability and security, the greening of production and consumption, mitigation and adaptation to climate change, regional development, etc. The draft National Program was published in advance and NPOs had an opportunity to comment on its content, some proposals of NPOs were taken into account.

The draft amendments to the law *On normative legal acts in the Republic of Belarus* are currently being prepared for adoption by the Parliament. They stipulate that draft legislative acts and government decrees concerning the rights, freedoms and duties of citizens are subject to public discussion.

Conclusion

Most likely, two contradictory trends (tough repressions against manifestations of protest activity combined with building of

⁴ See Мельяницов, Денис. «Координационная группа “Беларусь-ЕС”»: как это было.» *Наше мнение*. 22 Dec. 2017. Web 14. Mar. 2018. <<http://nmbny.eu/news/analytics/6509.html>>.

institutional mechanisms of interaction of the civil society and the state) and the effect of their mutual containment are stable in the mid-term and they will continue to determine the public landscape and the atmosphere of the dialogue in the Belarusian society. Given the certain stabilization of the economic situation and the absence of electoral campaigns in the next two years that could give rise to mass protests, the trend of the dialogue will prevail at this time. Among other things, we should expect the adoption of regulations providing for minor improvements in the legal status of NPOs, while the state will be open to discussion of the position of civil society both in the process of developing these acts and in other areas interesting for the society.

PARTIES: EXPLORATION OF NEW REALITY

Valeria Kostyugova

Summary

In 2017, opposition parties failed to grab the opportunities given by their presence in the parliament and the government's declared readiness to slightly increase the role of parties in the political system. The state did not dare to give any room for their development and indefinitely postponed decisions on shaping the party system. At the same time, in 2017, parties succeeded in finding tools to represent interests of different social groups. However, the overall contribution to protest actions and social and political campaigns did not make parties stronger in terms of staffing, and the preparation for the local elections showed it well.

Trends:

- The bandwidth for development of political parties remains narrow;
- Parties continue differentiation into support and representation groups, allowing significant success in advancing their socio-political agenda;
- The parties' presence in the National Assembly has not yet facilitated their organizational and political buildup.

Social and political campaigns

Successes of political parties are mainly related to their involvement in civil campaigns, which address matters of concern of a significant number of Belarusians. The campaigns of 2017 exhibit the absence of a single center for managing parties' actions and civil initiatives, their orientation to different segments of society (i.e. objectification of the very term 'party' in their activities), or effectiveness in social media. Moreover, separate interaction with their target groups (certain social groups instead of the entire democratic 'array') basically results from numerous failed attempts to create a single managing center.

These tactics had effect in Poland in late 2016 and early 2017. The Polish government was considering Belsat TV channel funding cuts and switching to broadcasts in the Russian language, or even closure of the channel, which gives voice to politicians and public figures. Petitions, signatures, personal statements

and campaigns in social media helped to keep the channel alive, although Minsk and Warsaw agreed otherwise.

Activists of the Young Front and civil society—Dmitry Dashkevich, Pavel Severinets and Eduard Palchis — were at the cutting edge of the campaign in defense of Kurapaty. They appealed to society through social media and directly to the residents of neighboring houses, and literally threw themselves before bulldozers to keep workers from constructing an entertainment center there. The developer (who has an official construction permit) and the state did not dare to escalate the conflict. Activists of a large number of political organizations were keeping vigil in Kurapaty and held a mass rally there on March 3.¹ Presidential Administration's newspaper SB Belarus Today supported the Kurapaty defenders. The government stopped the construction, announced a memorial in Kurapaty, and even suggested Nobel Prize winner Svetlana Alexievich to chair a commission to choose a draft of the memorial.²

The campaign against decree No.3 was most successful, first of all, because the authorities had to back off and abolish the quasi tax on 'social parasitism', and also because political organizations found a way to coordinate their actions without creating a managing center.

The degree of public involvement in mass protests against the 'decree on parasites' was different. 'Sabotage' of the decree (evasion of the tax on 'parasitism' and waiting for an outcome of actions of more active social groups) was the most popular strategy. A significant part of society was ready for street protests. Political parties and democratic associations acted in accordance with the degrees of this readiness: human rights defenders offered legal advice and defended activists in lawsuits; the Belarusian National Congress led street protests in Minsk; right-centrist organized protests in the regions assisted by Member of Parliament Anna Kanopatskaya; Tell the Truth

¹ «Несколько сотен человек пришли на митинг против строительства в Куропатах.» *TUT.by*. 25 Mar. 2017. Web. 25 May 2018. <<https://news.tut.by/economics/534008.html>>.

² «Светлане Алексиевич предлагали возглавить комиссию по выбору мемориала в Куропатах.» *TUT.by*. 17 Apr. 2017. Web. 25 May 2018. <<https://reality.tut.by/news/expertise/539853.html>>.

campaign gathered signatures for the abolition of the decree, organized appeals to the authorities and held public meetings; independent trade unions gathered signatures, challenged fines in court, and provided organizational assistance.

The people could choose from safe or potentially punishable options, and the number of protesters and their determination increased as the campaign evolved. As a result, over 75,000 signatures against the decree were collected, nearly 500 individual appeals were filed, around a thousand people took part in the meetings, and 12,000 rallied across the country with or without permission of the local administrations.³

The versatile approach of political organizations to the protests forced the authorities to respond in the same manner by mitigating enforcement of the decree in the regions to keep the heat down as much as possible and prosecuting the ringleaders. The usual tactics of pre-emptive detentions and administrative prosecution of political leaders was not as effective as before, because the protesters were mainly ‘ordinary citizens’, i.e. previously politically inactive individuals. Fearing a further increase in protest sentiments in society, on March 9, the government announced suspension of decree No.3⁴, but came down hard on opposition leaders. Anatoly Lebedko, Vitaly Rymashevsky, Yuri Gubarevich, Vladimir Neklyaeu, Ales Logvinets and Pavel Severinets were arrested.

Since the basic environment for political mobilization has changed, most political organizations – members of the Freedom Day organizing committee (the right-centrists and the Belarusian Popular Front) – did not find common ground with Nikolai Statkevich’s Belarusian National Congress regarding the format of the event. Shortly before the Freedom Day, organizer of the action in the center of Minsk Statkevich disappeared, Belarusian Popular Front leaders Aleksei Yanukevich and Grigory Kostusev could not get through police cordons arranged densely all over the city center, and other members of the organizing

³ «Декрет №3 «против тунеядства» в Беларуси. Обзор событий.» *TriRuthenicum*. Apr. 2017. Web. 25 May 2018. <<http://trirut.org/акция-достоинства-в-беларуси/>>.

⁴ «Декрет о тунеядстве не отменят, но в течение года не будут взysкивать налог.» *TUT.by*. 9 Mar. 2017. Web. 25 May 2018. <<https://finance.tut.by/news534609.html>>.

committee (Andrei Dmitriev, Tatiana Karatkevich and Alexander Milinkevich) took part in sanctioned rallies in the regions.

Although the protest leaders were not there, a part of participants in the Minsk rally managed to organize the crowd and led thousands through the city center. Some of the detained were released on the same day, and some were fined or sentenced to 25 days of administrative arrest. The crackdown on the March 25 action in Minsk stopped the protests, but the authorities had to revoke decree No.3. It was announced in June that those who had paid the tax (62,000 people out of 450,000 officially notified) will get their money back.

The tactic of multiple centers continued in other socio-political campaigns, for example in the Korzhych case, when many civil and political groups supported the bold appeal of the mother of private Alexander Korzhych, who died in the Pechi army training center, and pressurized the authorities demanding a thorough investigation.⁵ As many as 10,000 signatures were gathered for the dismissal of Defense Minister Andrei Ravkov. The government was forced to resume the investigation into the death of the soldier and other suspicious deaths death in the army. Some personnel reshuffles followed. Conscripts were given some more freedom in communicating with their families, and families were given more possibilities to communicate with unit commanders. The defense minister remained in office, though, and the investigation into Korzhych's death was still unfinished as of June 2018.

Certain success was achieved in promoting the Belarusian language, recognizing the cultural value of the white-red-white flag, and including historical events of the pre-Soviet period in the official historic narrative.

Differentiation of the party zone and change of the leadership

As a result of the protest spring of 2017, two centers for coordinating street actions emerged within the opposition. One of

⁵ «От версии суицида до громкого дела о дедовщине. Как развивались события после гибели солдата в Печах.» *TUT.by*. 17 Oct. 2017. Web. 25 May 2018. <<https://news.tut.by/society/564764.html>>.

them – the Belarusian National Congress headed by Nikolai Statkevich – advocates unsanctioned actions in the center of Minsk. Another center – Chernobyl Shliakh-2017 – organizing committee joined by the right-centrists, Tell the Truth and independent trade unions – chooses safe tactics of sanctioned events. None of them managed to repeat the success of the protest spring of 2017, firstly, because the authorities resumed pre-emptive arrests of protest leaders with alternating permits and bans of rallies and demonstrations, secondly, because the opposition leaders' rhetoric changed from social to political as protest actions in spring 2017 were intensifying, especially after the brutal dispersal of the March 25 rally, and, thirdly, because of the confrontation of the two organizational centers, whereas during the spring protests, there were many centers, and they complemented each other.

Aside from the protests, political organizations acted within their areas of specialization that concerned not so much ideological differences between the proponents of changes, as differences regarding the desired pace and nature of changes. Statkevich's supporters want decisive and swift actions and accelerated reformatting of the political system, while supporters of Tell the Truth adhere to the idea of gradual and progressive changes without a demolition of the existing socio-political system once and for all. Right-centrists stay somewhere in the middle prioritizing political and economic reforms, the Belarusian Popular Front being with them, but focusing on culture.

Orientation to different social groups was manifested in different political methods. Statkevich and his BNC called for street protests (for example, against the army exercise West-2017). Tell the Truth, which obtained state registration in 2017, was building regional branches and preparing them for official registration. Tell the Truth leaders Andrei Dmitriev and Tatiana Karatkevich promoted non-confrontational tactics: meetings with representatives of ministries, the Presidential Administration, heads of district and regional executive committees, gathering of signatures, and holding regional forums and meetings.

Leaders of the right-centrists Anatoly Lebedko (United Civil Party), Yuri Gubarevich (For Freedom) and Vitaly Rymashevsky (Belarusian Christian Democracy) offered amendments to bills

and lobbied EU's pressure on the Belarusian government with a view to economic and political liberalization, particularly amendments to the law on elections, abolition of Article 193-1 (actions on behalf of an unregistered organization), notification of mass events instead of applications for permission, and registration of Belarusian Christian Democracy. The latter also paid much attention to Mothers 328 movement⁶ and mitigation of the inadequately harsh punishment for drug use.

The Belarusian Social-Democratic Party (Hramada) was actively pursuing local social agendas, combining protests (for example, against the construction of a battery plant in Brest) and lobbying. The BPF traditionally focused on promoting national values, and entered into a tactical alliance with MP Elena Anisim in 2017.

The BPF continued replacing leaders of political organizations (the leaders of For Freedom in 2016 and BSDP (H) in 2018). The nomination of candidates for party chairmanship shows that parties cherish the existing differentiation of the political field. For example, Olga Damaskina, activist from Polotsk, was the most likely candidate for party chair. When she spoke in favor of rapprochement with the right-centrists, the party leadership and the core group supported former presidential candidate Grigory Kostusev, who won the election.

Preparation for local elections

The 2016 events, in particular the results of the parliamentary elections, aroused too optimistic expectations in the parties, which believed that they could enter the parliament. Many leaders of political organizations interpreted the unique coincidence with the situation in 2016 – non-confrontational perseverance of the parties, specific criteria for political progress set by their international partners, a certain lessening of tensions in the political field, and support for the idea of political diversity on the part of a group of state officials – as genuine interest of the authorities in variegating the political design using party system elements.

⁶ «Матчыні Рух 328.» *Matuli.org*. 2017. Web. 25 May. 2017. <<http://matuli.org/>>.

The government, however, wants parties to prove capable of strengthening the Belarusian political system. The year 2017 did not bring any arguments in favor of increasing the role of parties. At the same time, it seems that the government has not yet completely abandoned the idea of their greater role in political processes.

Since parties began preparing ahead of the local elections scheduled for February 2018, participation in the elections was not actually a matter of debate among entities with stable political presence, and no preconditions for participation were set. However, it became clear that the long-term tactics of boycotting and ignoring elections demotivated party activists and voters.

Besides, seeing the rapid strengthening of UCP candidate Anna Kanopatskaya and her desire to occupy her own segment of the political field by organizing Forward Belarus movement (announced in October 2017), UCP Chairman and informal leader of the right-centrists Anatoly Lebedko questioned the desirability of nomination of fellow party members to local councils. On the one hand, parties hoped that some of their candidates would enter the councils unobstructed, believing in the authorities' interest. On the other hand, right-centrists did not put forward a criterion of inclusion of party members in local councils as an indicator of electoral system progress, and other party members were not strong enough politically to put this point on the Belarusian-European agenda.

As a result, it became clear long before the elections that parties' involvement would be limited. Their representatives were nominated and registered as members of election commissions in 2017. Candidates' initiative groups were also registered. Parties nominated the smallest ever number of candidates at all stages, and the authorities turned down a large number of democratic candidates for election commissions.⁷ The Democrats nominated 100 fewer candidates than in the previous local elections: only 400 people, 169 of them representing Tell the Truth.

⁷ «Местные выборы. Прогресс для оппозиции надо искать под микроскопом.» *Naviny.by*. 6 Jan. 2018 Web. 25 May 2018. < <https://naviny.by/article/20180106/1515225231-mestnye-vybory-progress-dlya-oppozicii-nado-iskat-pod-mikroskopom>>.

Conclusion

Last year, political parties came to realize a new reality: growing politicization of society, better opportunities to influence the government's agenda, and poorer effectiveness of previous mobilization methods. The 2017 campaigns showed that people are ready to massively protest against injustice, as they understand it, put signatures for the nomination of candidates, or support other concrete actions of political organizations, but they are mainly not ready for regular political efforts, or, in general, for any regular actions, having low motivation for that.

The differentiation of the political field is associated not only with values or political strategies, but also reflects sympathizers' willingness to act: to protest (once a year or on rarer occasions), put signatures (relatively often), and participate in election campaigns (regularly, but rarely) and participate in local initiatives (regularly and often). Some actions are relatively safe (signatures under petitions, non-confrontational promotion of local agendas, or campaigning during elections), and some are risky (particularly, participation in unsanctioned protest actions and running as candidates with a confrontational agenda).

By the end of the year, most political organizations began choosing legal and safe forms of political actions, and this trend will most likely continue in the future. Regular political activities and staffing are still problematic. Having inflated expectations for the involvement in the local elections, parties surprisingly nominated the smallest number of candidates. The result of the February 2018 elections was predictable: only two representatives of political parties were admitted into village councils.

MEDIA: INFORMATION SECURITY CHALLENGES REQUIRE MEDIA POLICY DIFFERENTIATION

Elena Artiomenko

Summary

In 2017, information security issues arising from the influence of Russian media and the lack of funding for national media remained acute in Belarus. For Belarus, another confirmation of the difficult situation in the field of control of the information space was the coverage of the maneuvers 'West-2017'. An example of how traditional media can lose in the competition to new media was the coverage of the death of emergency service soldier Alexander Korzhich. The Belarusian authorities began to search for new ways to maintain information security and preserve the competitiveness of the media, without abandoning the usual harassment of independent journalists. A. Karlyukevich was appointed a new Minister of Information, who immediately announced the preparation of a new version of the Law on mass media, with changes, first of all, regarding the regulation of Internet communication.

Trends:

- Internal and external information security challenges remain;
- Economic growth and some infrastructural innovations improve the media financing situation, but this affects traditional media to a lesser extent;
- The approaches of the authorities to media politics have been differentiated.

Challenges to information security

During 2017, the Belarusian authorities have repeatedly faced the fact that they lose to other subjects in the information landscape. First, it concerns the events of the protest spring of 2017. The protests against the 'tax on social parasites' demonstrated the potential for solidarity in the Belarusian society with regard to general social and economic problems. Moreover, the leaders of the protest movement were able to organize and coordinate protests not only in Minsk, but also in the regions. As a result, the authorities had to suspend the decree. But there was also a strong reaction both to protesters on Freedom Day, March 25, 2017, and to journalists of independent media.

The second significant challenge for the information security of the country was the coverage of the joint Belarusian-Russian military maneuvers ‘West–2017’, held on 14–22 September. As a result of several attempts of provocation by the Russian media and sharply negative assessment of the maneuvers in the media of Western neighbors, many Belarusian experts started talking about the fact that the Ministry of Defense lost the information war. A more detailed analysis of the materials of the leading media showed that an unfriendly coverage of the maneuvers could not adversely affect the reputation of Belarus. The leading media stressed the openness of the maneuvers and the effectiveness of the press services, which allowed preserving the image of Belarus as a sovereign entity focused on improving relations with the West¹. Nevertheless, information threats became more visible, which became another reason for the beginning of significant personnel changes in the management structure of the media sphere.

And finally, another demonstration of the fact that the Belarusian authorities are not able to fully control the informational field and public opinion was the public reaction to the death of the soldier Alexander Korzhich on 3 October, 2017 in the military unit in Pe y. As a result of extensive coverage of the tragedy in the independent media and the intervention of the public the investigation of the circumstances of the soldier’s death was taken under personal control of the President. Initially, the Ministry of Defense and state-run media shied away from covering the issue. Experts of *Belarus Security Blog* list such traditional methods of official media as being silent on the problem, denial of guilt and references to the machinations of the ‘fifth column’². However, when under pressure from the public and independent media the case was set in motion, the result

¹ Мельянцов, Денис. «“Запад-2017”: проиграла ли Беларусь информационную войну?» *Минский диалог*. 29 Sep. 2017. Web. 5 Mar. 2018. <<http://minskdialogue.by/research/memorable-notes/zapad-2017-proigrala-li-belarus-informatcionnuu-voinu>>.

² «Дело Коржича: очередной информационный провал Минобороны Беларуси.» *Belarus Security Blog*. 29 Sep. 2017. Web. 5 Mar. 2018. <<https://bsblog.info/delo/delo-korzhicha-ocherednoj-informacionnyj-proval-minoborony-belarusi/>>.

of the scandal showed the ineffectiveness of the old methods of information confrontation.

Thus, the events of 2017 clearly showed to the Belarusian authorities that we live in a situation of real rather than potential information threats (a noticeable trend is that Belarusian security experts more often raise security issues in the media sphere). It also becomes obvious that traditional methods of upholding primacy in the information space function less well and it is important to use new ways of development of the media sphere that meet the challenges of our time. These challenges are typical not only for Belarus, but also for all countries of the region. Thus, at the Second Eastern Partnership Media Conference³, the main message of the experts was not awareness of the challenges posed by the Russian media field, as it had been at the first media conference in 2015, but the search for ways of development in these conditions. Experts see the main directions of media development in the region as evolutionary changes in response to changes in the behavior and preferences of the audience, the necessary development and application of new technologies even for traditional media and the search for ways of economic sustainability.

Internal and external financing of traditional media

Some recovery in economic growth in 2017 gives hope for improving the financial stability of the media due to the advertising market. However, this will primarily affect new media. It is difficult to talk about the considerable prospects of increased funding for traditional media, especially independent media.

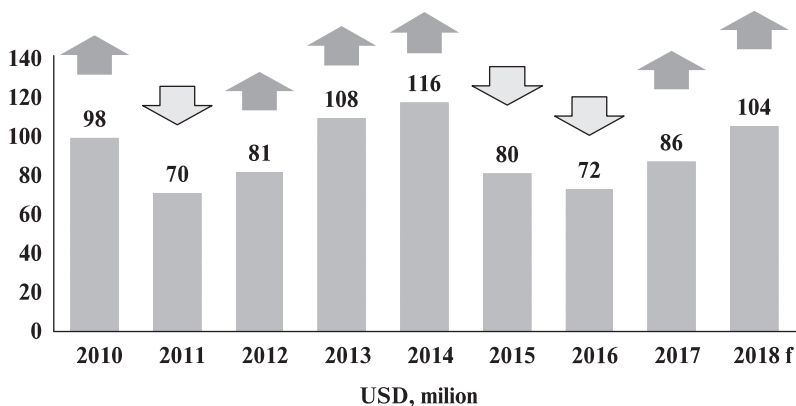
After the decline in the advertising market by 10% in 2016, in 2017, it started to grow. The growth rate of the advertising market reached 19%⁴, although the forecast for growth in 2016 was limited to 6%. The total volume of the Belarusian advertising

³ “The 2nd Eastern Partnership Media Conference.” *Eap*. Web. 5 Mar. 2018. <<http://eap-mediaconference.eu/>>.

⁴ Синкевич, Наталья. «Рынок интернет-рекламы в цифрах.» *WebExpert*. Sep. 2017. Web. 5 Mar. 2018. <<http://www.webexpert.by/wp-content/uploads/2018/02/Natalya-Sinkevich.-Rynok-internet-reklamyi-Belarusi-v-tsifrah.pdf>>.

market is estimated at USD 86 million. According to experts, in 2018, the growth will continue and will reach 21%.

Dynamics of the advertising market volume in Belarus



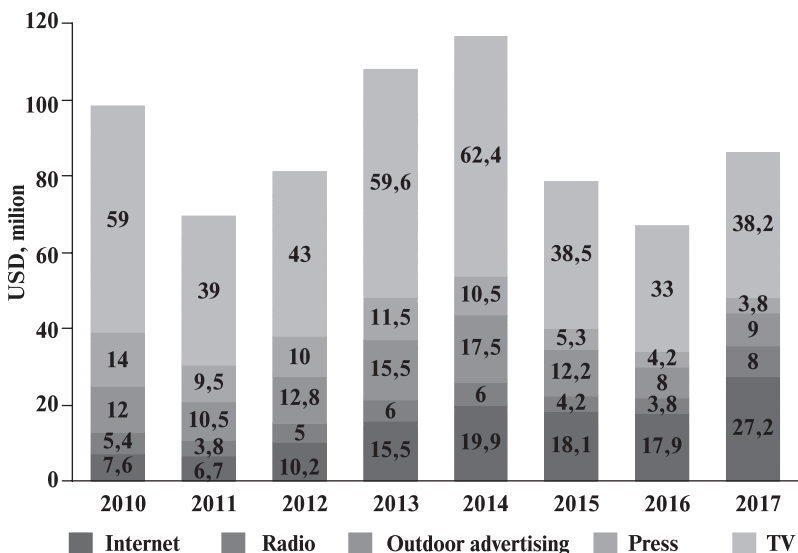
However, the main source of growth in the advertising market is advertising on the Internet. While the growth rate of Internet advertising was 30%, TV advertising grew only by 16% (less than for the advertising market as a whole). The share of TV advertising continues to decline. In 2010 advertising on television accounted for 60% of all advertising costs, in 2015–2016 the figure decreased to 49%, and in 2017 it amounted to only 44%.

According to statistics of the Ministry of information⁵, the number of printed publications continues to grow slowly. This growth (from 1607 editions in 2016 to 1659 editions in 2017) occurred equally at the expense of newspapers, magazines, almanacs and other periodicals.

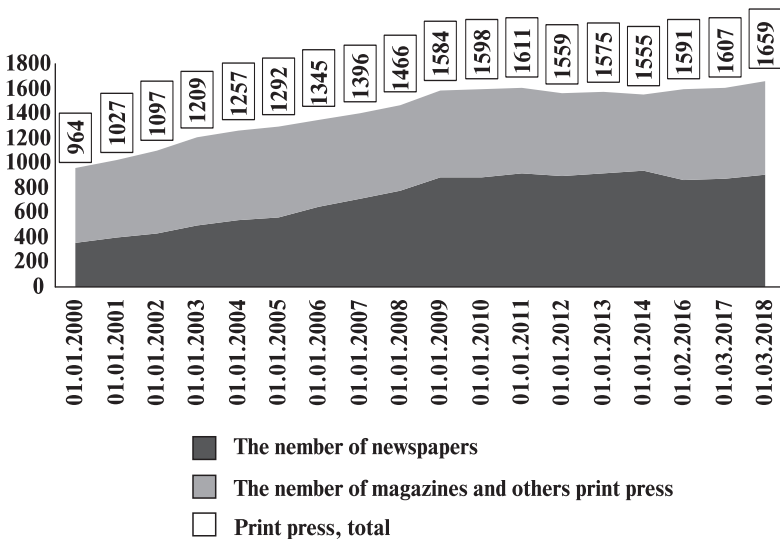
The advertising market depends not only on the economic situation, but also on the development of infrastructure and rules of the game. The issue of a single independent subject of television viewing measurements is still not resolved in the TV advertising market in Belarus: at the moment the system is

⁵ «Сведения о средствах массовой информации, информационных агентствах на 1 марта 2018 года.» *Министерство информации РБ*. 1 Mar. 2018. Web. 5 Mar. 2018. <<http://mininform.gov.by/ru/statistica-ru/>>.

Distribution of advertising budgets through communication channels



Dynamics of the number of printed publications



financed primarily by TV channels, which makes approaches to data collection dependent on their interests. Also the issue of inclusion in the analysis of TV viewing data from alternative devices (computer, mobile phone) in the conditions of active development of smart TV is relevant. In 2017 the infrastructure player offering a common service for the sale of advertising, audience measurement and monitoring of radio broadcast *Adbuy* entered the market of radio advertising (something that has not been possible for the TV advertising market). However, as in the case of data collection on TV viewing, the funding of the system is borne by radio stations rather than advertisers, which may in some way influence decision-making on the development of common approaches to data collection and analysis.

Considering the changes from a legal point of view, we can expect them from the new concept of the development of the advertising market concept, the development of which the Ministry of Antimonopoly Regulation and Trade started in 2017. However, the changes will primarily affect the liberalization of regulation of outdoor advertising and the tightening of regulation of advertising on the Internet and social networks, which can affect traditional media only indirectly (by slowing the growth of the share of Internet advertising).

According to the Ministry of Finance, referred to by experts of the Belarusian Association of Journalists in their report⁶, public spending on the media, which significantly decreased in 2016 (from EUR 60 million to EUR 45 million) in 2017 practically remained the same (EUR 46 million), and for 2018 no significant growth is planned (EUR 48 million).

The differentiated approach of the authorities to managing the information landscape

In the absence of prospects for improving the financial stability of traditional media and in response to the current internal and external challenges of the media field, the Belarusian authorities

⁶ «СМИ в Беларуси, №1(54) 2018. Итоги 2017 года.» *Белорусская ассоциация журналистов*. Web. 5 Mar. 2018. <<https://baj.by/sites/default/files/analytics/files/smi-01542018-ru.pdf>>.

were forced to apply a differentiated approach to the management of the information space. On the one hand, in response to relatively broad social and economic protests, the oppression of independent media became more severe in spring 2017. Experts of the Belarusian Association of Journalists consider this tightening unprecedented since the presidential elections of 2010. In 2017 there were recorded 101 arrests of journalists (in 2016 there were only 13) and 69 cases of fines for cooperation with foreign media without accreditation (the practice was suspended in 2016, when journalists were fined under article 22.9 in only 10 cases). In addition, on 31 March in two offices where journalists of the TV channel *Belsat* worked, equipment was seized after the searches⁷.

However, the need to maintain positive trends in relations with the West, together with the presence of external threats, led the authorities to take steps towards independent media. After the meeting of Alexander Lukashenko with the chief editor of the newspaper *Narodnaya Volya* Iosif Serechich nine publications which were excluded almost 11 years ago were finally returned to the subscription lists of *Belposhta* and distribution system of *Belsayuzdruk*.

The need to respond to the challenges of our time led to the beginning of a series of significant personnel changes in the media in autumn 2017. On September 28, 2017, Aleksandr Lukashenko appointed Aleksandr Karlyukevich Minister of Information. The new Minister immediately announced the forthcoming edition of the law on mass media, with the changes which would affect primarily new media. The trend of replacing the main officials of the media sphere will continue in early 2018, and as in the case of the Minister of Information, we are not talking about claims against previous leaders, but about the need for rejuvenation of personnel and the development of new approaches to the management of the information landscape.

Conclusion

Internal and external challenges for the country's information security make the state apply differentiated approaches in the

⁷ Ibid.

management of the media sphere. On the one hand, harassment of independent journalists becomes more severe when there is a risk of losing control over public opinion. On the other hand, the need to strengthen the national information system and support the development of relations with the West forces the state to make some concessions to the independent media. Despite the recovery of economic growth and the growth of the advertising market, it is difficult to expect an increase in the financial stability of traditional media. Also, there is no expected increase in public funding for the media sphere. However, trying to meet the challenges of our time in 2017 personnel changes to rejuvenate the leadership in the media began. Attempts to reform and update the media could be expected in the coming year, but no significant progress could be made in the absence of additional investment. As previously one can protect the information space of country only by restrictive measures, which, in particular, puts the independent media under threat of oppression.

EDUCATION POLICY: CURTAILING MODERNIZATION

Vladimir Dounaev

Summary

The year 2017 did not see significant changes amid a deepening crisis in education. Funding cuts and demographic problems exacerbated education policy imbalances manifested in the reducing quality of secondary-level and tertiary education against the backdrop of populist policy of accessibility of education. The authorities chose to conceal problems instead of resolving them, setting lower requirements, falsifying statistics and engaging in empty social rhetoric. The most important international commitments to update the education system were removed from the agenda or pushed into the background. Legislation reforms were stalled. This policy did not encounter substantial public resistance or criticism, as public attention was diverted to minor issues.

Trends:

- Curtailed or delayed modernization of education;
- Imitation of public discussions and the use of state-controlled NGOs and councils to legitimize government's decisions;
- Decreased government's sensitivity to international assessments of education policy;
- Public expectations shifted towards civic initiatives to upgrade tertiary education and reduce Russia's dominance in education.

Arbitrariness and uncertainty

On November 29, 2017, the education minister issued order No.742, approving 'conceptual approaches to development of the education system of the Republic of Belarus until 2020 and for the long term until 2030'. This document claims to determine the tasks, main areas, priorities of government education policy, and tools for their achievement. This 'mutiny of the bureaucracy', which encroaches on the president's sole prerogative to single-handedly determine state education policy (paragraph 107 of the Education Code), can only go unnoticed in an atmosphere of total legal nihilism. One can speculate about the true motives behind this usurpation of power by the minister, but, apparently, no one suspected Communist Karpenko of a lack

of loyalty. There was certain awkwardness, though. Later, the minister had to refer to the authority of the Republican Pedagogical Council and public debates, without however adding legitimacy to the ministerial order.¹

Of course, no one any longer expects the president to intelligibly and conscientiously determine future education policy. Even an in-depth analysis of his statements would not help to make its sustainable goals and priorities clear and unambiguous. In this state of uncertainty, officials have to produce programs, concepts and roadmaps, which they cannot but doubt themselves.

Although the president's arbitrariness devaluates the programming potential of ministerial exercises, they have a diagnostic value, as they allow measuring the depth of the crisis of the Belarusian education system.

Even the official statistics, which used to flatter national vanity by reporting leading global positions with respect to the number of students per 10,000 population, do not warm hearts with good news anymore. This indicator dropped from 467 students in 2010 to 299 in 2017. The total number of students also dropped from 442,000 to 284,000. The number of foreign students in Belarusian universities decreased for the first time in recent years.² This mostly concerns fee-paying students. State support possibilities have shrunk as well.

Legislative reform

2017 was marked by ebullient discussions of back-burner issues and the usual lack of results. As in previous years, a draft of a new version of the Education Code did not reach the legislators. Parliamentary hearings on the Education Code scheduled for November 29 did not take place, because there was no draft in the House of Representatives. Announced innovations have been

¹ «Образовательные новации — 2018. Онлайн-конференция.» *БелТА*. 21 Mar. 2018. Web. 13 Apr. 2018. <www.belta.by/onlineconference/view/obrazovatelnye-novatsii-2018-1024/?_utl_t=tw>.

² *Статистический бюллетень «Образование в республике Беларусь (2017/2018 учебный год)»*. Минск: Национальный статистический комитет РБ, 2017. 6,38, 41. Print.

unable to break through the barriers of departmental approvals or presidential censorship since 2013.

The Public Advisory Council at the Education Ministry, the formation of which had been postponed for years, joined the discussion of the draft. Along with public consultation on draft amendments to the Code in February and the August 24 session the Republican Pedagogical Council, it was supposed to imitate public involvement in decision-making.

Quality or accessibility

The persistent proclamation of education quality as a priority in all policy documents only shows that the education system has not been approaching a solution to this painful problem for many years. This is not surprising, because instead of solving the most urgent problems, the authorities have been inventing ways to conceal them for the sake of populist accessibility policy.

Year after year, centralized testing results have been tarnishing successes of Belarusian secondary education. Attempts to camouflage the problem by classifying the official statistics of pupils' average academic performance were devalued by depressingly low university admission grades.

A solution was found in 2017. Following the president's instructions to bring centralized testing tasks closer to the school curriculum, the government decided to improve the statistics by removing challenging questions from the tests (to be more exact, questions for advanced students, which are included in the school curriculum, but regularly spoil the statistics of enrollees' average CT scores). The authorities decided to make higher education quality criteria dependent on the mass results of secondary education.

This 'democratization' of centralized testing fully agrees with other steps taken by the government to reduce the requirements to education quality. Since the situation with employment of university graduates has markedly worsened, the authorities continued falsifying the data on compulsory job placement as they practiced in 2016 and began to force employers to give jobs to graduates. It's no secret why university graduates are in no demand in most industries. The reason is the poor competence

of degree holders. However, the government still chooses a statistical mirage and intimidation of students and university heads over restructuring the system of professional qualifications, which would ensure education-labor market linkages. Secret ministerial restrictions on free employment of government-subsidized students upon graduation have been talked about in previous years. In 2017, for the first time, Deputy Prime Minister Vasily Zharko announced a categorical ban on ‘free diplomas’ (without compulsory job placement).³

Apparently, this statement was addressed not only to the internal audience. It was supposed to indicate the end of old policy of bringing Belarusian education closer to the standards and values of the European Higher Education Area before the assessment of compliance with the requirements set for the accession to the EHEA. Belarus openly refused not only to reconsider compulsory job placement of graduates. In 2017, the country failed to fulfill other obligations on the implementation of the Bologna roadmap for reforming university education. None of the 9 socially significant targets, including the obligation to develop a National Qualifications Framework (NQF), was achieved in time.⁴

Another EU’s program – Employment, Vocational Education and Training in Belarus – which provides for establishment of the NQF for blue-collar occupations⁵, has not been launched since 2015.

No response was given to the appeal of the Republican Council of Rectors to the Ministry of Education and other departments to speed up NQF development and introduce

³ Жарко, Василий. «В вузах Беларуси должно быть стопроцентное распределение без свободных дипломов.» *БелТА*. 29 Jan. 2018. Web. 13 Apr. 2018. <www.belta.by/opinions/view/v-vuzah-belarusi-dolzno-byt-stoprotsentnoe-raspredelenie-bez-svobodnyh-diplomov-6016/>.

⁴ «Итоговый мониторинг имплементации Дорожной карты реформы высшего образования Беларуси.» *Общественный болонский комитет*. 16 Oct. 2017. Web. 13 Apr. 2018. <bolognaby.org/index.php/issledovaniija-analitika/679-monitoring6>.

⁵ «Занятость, профессиональное образование и обучение в Беларуси. Соглашение о финансировании.» *Национальный правовой Интернет-портал РБ*. 14 May 2016. Web. 13 Apr. 2018. <<http://pravo.by/document/?guid=12551&p0=I01500071&p1=1>>.

European standards in tertiary education. However, the subsequent replacement of seven university rectors could well be interpreted in the academic community as a repressive response to the appeal of university heads, even if it was not meant as such.

These replacements of rectors unequivocally point at the government's priorities. Of all Belarusian universities, only the Belarusian State University run by then Rector Sergei Oblameiko managed to show certain successes in global university rankings, which is regarded as evidence of quality and successful management. New Rector Andrei Korol, who achieved notoriety by subjecting Grodno State University faculty members to mass repressions, disbanded the scientific methodological center, which supported the participation of the university in international academic ranking programs.

Even when the authorities correctly diagnose the problem, proposed solutions can only aggravate the crisis. The acknowledgement of the poor applicability of vocational education results in ridiculous remedies, like the idea of reducing the duration of university education to three years.⁶

Crisis of financing

Accessibility of all levels of education has been maintained, but its high quality can only be ensured through a significant increase in public spending. The funding of education in 2017 was scarce. The finance minister said that in 2018, the state will allocate 9.6% more funds for education than in 2017. This may seem encouraging, but, in fact, the promised USD 2,86 billion is almost 25% less than five years back.⁷

In the face of a GDP decline, the promise to increase spending on education to 5% of GDP should not be misleading either. The authorities would like the nation to forget that the

⁶ «“Он должен на первом курсе в это г...но окунуться”. Лукашенко о сроках обучения и лишних предметах.» *TUT.by*. 24 Aug. 2017. Web. 13 Apr. 2018. <news.tut.by/society/557325.html>.

⁷ «Лукашенко подписал Закон о республиканском бюджете на 2018 год.» *БелТА*. 31 Dec. 2017. Web. 13 Apr. 2018. <www.belta.by/president/view/lukashenko-podpisal-zakon-o-respublikanskom-bjudzhetе-na-2018-god-282752-2017/>.

Law on Education (in effect until 2011) envisaged 10% of GDP for education, and Lukashenko promised to achieve this by 2010.

Underfunding is also noticeable on particular education levels. Contrary to international recommendations on support for tertiary education at 2% of GDP, Belarus cut it from 0.78% to 0.57% between 2005 and 2017.⁸

Belarusian education suffers from inefficiency of public spending even more than from underfunding. In 2013, the World Bank stressed that solutions to education problems require further measures to optimize the school system, gradual transition to funding per student and increased responsibility for results.⁹

Capitation funding has been mulled since 2012, but the pilot phase still continues. In 2017, the experiment involved 642 out of over 3,000 educational institutions.

No noticeable increase in efficiency of government spending has been achieved. Only 10% of schools have gone through optimization over all these years. The teacher/pupil ratio – the main indicator of the cost effectiveness per student – was changing slowly from 7.63 in 2013 to 8.68 in 2017. Contrary to parents' belief, these low indicators do not mean a higher quality of education. In developed economies they are much higher than in Belarus, for example, in the Organization for Economic Cooperation and Development this ratio stands at 13.¹⁰

The abundant number of teachers in Belarus results from the populist policy of preserving small schools in rural areas, which cannot provide high quality and effective education, but annually request thousands of graduates justifying and preserving the feudal system of employing young professionals.

⁸ Bohdan, Nina. "Belarusian Universities Challenges and European Higher Education Integration." *Http://Www.bseu.by*, BSEU, 3 Nov. 2017, Web. 13 Apr. 2018. <www.bseu.by/russian/news/docs/20171103-Беларусь_и_ЕПВО_Богдан.pdf>.

⁹ «Обзор государственных расходов в Республике Беларусь.» *Всемирный банк*. 21 Feb. 2013. Web. 13 Apr. 2018. <documents.worldbank.org/curated/en/550301468014421797/pdf/741480ESW0P123032700PUBLIC00Russian.pdf>.

¹⁰ "Education at a Glance 2017." *OECD Publishing*. 12 Sept. 2017. Web. 13 Apr. 2018. <read.oecd-ilibrary.org/education/education-at-a-glance-2017_eag-2017-en#page360>.

Conclusion

In his annual address to the nation and the parliament President Lukashenko shared his view on the tasks set to the education system: to simplify secondary education programs, shorten the training and reduce the number of universities, and strengthen the link between education and industry (in short, make it all simpler and cheaper). This means that the state stops fulfilling a number of its social commitments disguising this with populist promises.

When inventing strategies and roadmaps, education administrators sometimes try to curb this onslaught of populism, having less and less chance to maintain stability, let alone an upgrade.

Bologna transformations are off the agenda, despite international pressure and attempts to keep this topic in the Belarus-EU dialogue.

Supported by the World Bank, the program to modernize secondary education was mainly limited to the renovation of school buildings, whereas management reforms are not even close to the top of the to-do list.

Education-labor market linkages, which the authorities are so concerned about, are not supported by any real steps to reform the system of professional qualifications and involve employers in education quality management.

Attempts of some civil society leaders to expedite the implementation of national university projects enlivened this bleak picture to a certain extent in 2017.

For the first time in a long while, not openly resisted by the authorities, civil society reached a consensus on the need for a national alternative to the Russian domination over Belarusian education.

THE YEAR OF SCIENCE: MODEST CELEBRATION OR LAVISH FUNERAL?

Andrei Laurukhin

Summary

The year 2017 declared a Year of Science by the presidential decree of December 23, 2016 was marked by pompous events and cheerful statements in the media that contrasted sharply with the disastrous state of Belarusian science and very modest achievements in innovation. The Republic of Belarus showed a decline with respect to most indicators of scientific and innovative development. In the 2017 Global Innovation Index of the World Intellectual Property Organization (WIPO), Belarus dropped down nine positions against 2016 and 35 against 2015 to the 88th out of 127 spots, showing the worst performance in the past five years. For comparison, Latvia was ranked 33rd, Russia 45th, and Ukraine 50th. The GDP knowledge intensity halted at the lowest level (0.50%) in the past 17 years close to the threshold value (0.40%). The pool of scientists shrank to 25,942 people, which is the smallest number in the history of science in sovereign Belarus.

Trends:

- The country's image in the world market of science and innovation deteriorated;
- The government R&D budget decreased to threshold amounts;
- The number of researchers reduced catastrophically, while the composition in terms of qualification is still in place;
- Key indicators of innovation showed anemic growth;
- The GDP knowledge intensity declined to almost threshold values.

Financing: optimized down to thresholds?

According to official data, the proportion of domestic expenditure on research and development dropped to 0.50% of GDP, which is the lowest level in the history of independent Belarus (1.0% in 1996).¹ This brings the country close to the threshold

¹ *Наука и инновационная деятельность в Республике Беларусь*. Минск: Белстат, 2017. 129. Print.; «Мировой атлас данных / Беларусь — Расходы на НИОКР, в % к ВВП.» *кноета*. Web. 17 Mar. 2018. <<https://>

value of 0.40% for the first time. It is generally accepted internationally that, once below this threshold, science begins to perform a merely decorative and symbolic socio-cultural function. According to the European Innovation Scoreboard (EIS-2016), the proportion of public expenditure on R&D remained at 0.17%.² Over the first two years of the new State Program of Innovative Development for 2016–2020, the following changes occurred in the composition of domestic expenditure (compared with 2015): the proportion of budget expenditure decreased 0.7%; the proportion of off-budget expenditure decreased 0.6 %; the proportion of funds of other organizations decreased 8%. The proportions of own funds and foreign investment increased 5.2% and 3.9%, respectively. This means that despite the formal parity between the increase (9.1%) and decrease (9.3%) in the proportion of the sources of funding and the positive trend towards the increase in the proportion of foreign investment (3.9%)³, there is a deficit, as an increase in off-budget sources cannot compensate for budget cuts. The proportion of tertiary education in the domestic expenditure on research and development continued to decrease (by 1.2% against 2015).⁴

Scientific brainpower: improvement by total reduction?

The historic anti-record of the R&D personnel reduction in 2016 was overwhelmingly beaten in the Year of Science. As of the beginning of 2017, the number of personnel decreased by 211 people, and the pool of researchers decreased by 74 to the smallest number in the recent history of the country (2003 and 2004 being the lowest reference point of the period from 1990

кноема.ru/atlas/Беларусь/topics/Исследования-и-разработки/Затраты-на-НИОКР/Расходы-на-НИОКР-в-процент-к-ВВП>.

² *Наука и инновационная деятельность в Республике Беларусь*. Минск: Белстат, 2017. 133. Print.

³ *Наука и инновационная деятельность в Республике Беларусь*. Минск: Белстат, 2017. 67. Print.; *Наука и инновационная деятельность в Республике Беларусь*. Минск: Белстат, 2016. 67. Print.

⁴ *Наука и инновационная деятельность в Республике Беларусь*. Минск: Белстат, 2017. 31. Print.

to 2014 with 17,702 and 17,034 researchers, respectively).⁵ A reduction in the number of personnel was reported in profit making organization and the public sector, while a small increase took place in tertiary education.⁶ With respect to science domains, the greatest reduction (in comparison with 2015) was reported in the natural sciences (47 people), medical sciences (220), socio-economic and social sciences (22) and humanities (46). A certain increase in the engineering sciences (93) improved the situation in comparison with 2015, but could not compensate for a colossal long-term decline (1,994 people against 2011). Only the situation with regards to agricultural sciences remains stable.

It is relatively positive that, from the point of view of the personnel composition (with respect to education and employment areas), the reduction affected persons with vocational secondary education degrees (-1%) and technicians (-0.4%). A certain optimism is also inspired by the fact that the reduction in the number of researchers affects all age groups, except for researchers aged 30 to 39 (an increase by 153) and those aged 40 to 49 years (an increase by 57). Finally, the proportion of researchers with academic degrees in the total number of researchers changed insignificantly (+/-0.1%).⁷ The year 2017 was not a turning point in the long-term trend towards a decline in the number of postgraduate and doctoral students (ISCED 6) per 1,000 population aged 25 to 34: from 0.8% in 2013 to 0.6 as of the beginning of 2017.⁸ It is noteworthy that it continued even against the backdrop of a growing number of postgraduate students (158) and those who have defended dissertations (13) against 2015 and as of early 2017.

The number of R&D institutions continued to decrease from 501 in 2011 to 431 as of early 2017.⁹ In general, if the trend and

⁵ *Наука, инновации и технологии в Республике Беларусь*. Минск: Белстат, 2007. 59 Print.; *Наука и инновационная деятельность в Республике Беларусь*. Минск: Белстат, 2017. 31. Print.

⁶ *Ibid.* 39

⁷ *Ibid.* 44–45

⁸ *Ibid.* 33

⁹ *Ibid.* 36

the rate of reduction of scientific personnel and organizations remain the same, in the next 5 to 7 years, the R&D pool may fall to the threshold values that will jeopardize the scientific capacity, and turn Belarusian science in a marginal, decorative element of society and culture.

Innovation-driven development of Belarus: external evolution

In the 2017 Global Innovation Index, Belarus dropped nine positions from 79th in 2016 to 88th in 2017. Given that the decline occurs for the second consecutive year (down 35 positions against 2015), the negative trend becomes obvious. This is the lowest indicator over the past five years. At the same time, the fall in the country rating is not as great as it was in 2016 compared with 2015 (26 positions). Besides, data on a number of rating parameters are indicated for different years that makes the rating not fully adequate, and does not allow to determine the nature of the trend or to draw substantiated conclusions. This is evident when comparing the rating data with actual indicators of innovation in 2016. For example, Belarus looks very good with respect to the ‘number of patents’ (39th) and the ‘number of patent applications by origin’ (27th) in GII-2017. However, there is a 1.3-point decrease in the dynamics of the inventive activity coefficient from 2011 to early 2017.¹⁰

Based on these comparisons, it is possible to draw a preliminary conclusion about the invariantly weak and strong aspects of innovative development in Belarus. The first ones are: a low proportion of venture capital deals (82nd)¹¹, difficulties in getting credit (84th), a small number of scientific and technical publica-

¹⁰ “Global Innovation Index 2017 Report Now Available.” *The Global Innovation Index 2017*. Web. 17 Mar. 2018. <<https://www.globalinnovationindex.org>>. ; *Наука и инновационная деятельность в Республике Беларусь*. Минск: Белстат, 2017. 32. Print.

¹¹ «Менее 14% венчурных компаний остались бы работать в Беларуси при возможности перевода активов за границу.» *Megapolis-Real.by*. 22 Feb. 2017 Web. 17 Mar. 2018. <<http://megapolis-real.by/stati/menee-14-kompanij-ostalis-byi-rabotat-v-belarusi-pri-vozmozhnosti-perevoda-aktivov-za-graniczu.html>>.

tions in periodicals (85th), low government effectiveness (93rd), high GDP/unit of energy use (94th), non-observance of the rule of law (107th), low logistics performance (112th), low regulatory quality (120th) and the almost complete absence of domestic credit to private sector (last but one, 126th in the world).

The following parameters can be attributed to strengths: ISO 14001 environmental certificates (44th), ease of protecting minority investors (41st), environmental performance (35th), knowledge-intensive employment (34th), school life expectancy (34th), information and communication technologies (32nd), gross capital formation (32nd), microfinance institutions (30th), ease of starting a business (28th), firms offering formal training (21st), pupil-teacher ratio with respect to secondary education (12th), graduates in science and engineering (12th), tertiary education (6th), women employed with advanced degrees among all employed at the age of 25 and over (1st).

Innovation-driven development of Belarus: internal evolution

Innovative development results can also be viewed in terms of ‘internal criteria’, i.e. in the context of the three points of growth of the innovation economy determined by the government and announced in October 2016 by Economy Minister Vladimir Zinovsky.¹²

The first point of growth – the launch of 19 innovative projects in 2017 – was implemented in part, since six out of the 19 facilities were not commissioned in time, and the information about the creation of the promised 1,000 new high-productivity jobs, or GDP growth by 0.12% is not available (at least in the public domain). The second point—an expansion of the Belarusian-Chinese Industrial Park Great Stone by increasing the number of resident companies and investments by USD 60–70 million – was implemented abundantly in what concerns the first part (23 residents against 20 planned), and nothing is known

¹² «Правительство определило три точки роста экономики Беларуси.» *Naviny.by*. 3. Oct. 2016. Web. 17 Mar. 2018. <<http://naviny.by/new/20161003/1475520537-pravitelstvo-opredelilo-tri-tochki-rosta-ekonomiki-belarusi>>.

about the second part, since, at the moment, there is no precise data on the amounts and origin of investments. Decree No.166, which established a supportive legal regime for the Great Stone and friendly business environment for investors and residents, certainly helps. The third point – the creation of new jobs in small and medium businesses – turned into a fiasco. As of October 2017, the number of jobs had been decreasing for the third year in a row.¹³ Besides, there is a steady trend towards a decrease in the proportion of already few small and medium enterprises engaged in domestic innovation in the total number of SMEs (3.41% at the beginning of 2017; 4.45% in 2011) and the proportion of SMEs engaged in joint innovation projects (0.43% at the beginning of 2017; 0.68% in 2011).¹⁴

Anemic growth is observed with respect to the main indicators of innovation. The coefficient of creative outputs shows a 0.1% decline, while the proportions of organizations dealing with technological innovation and industrial organizations that spend on technological, organizational and marketing innovations increased 0.6% each. With the increase in the proportion of shipped innovative products, works and services (3.2%), the imbalance in the changes in the proportion of shipped innovative products, new for the domestic (up 7.8%) and the world innovation markets (down 1.3%)¹⁵, is escalating. The increase in the proportion of Belarusian innovative products on the domestic market and its decline on the world market puts in question the quality of Belarusian innovative products (according to international, rather than in-country criteria).

¹³ «Как в Беларуси изменилось число ИП и сколько налога они заплатили с начала года.» *TUT.by*. 24 Oct. 2017. Web. 17 Mar. 2018. <<https://finance.tut.by/news565875.html>>. По данным экспертов НАНБ, численность занятых в МСП за 2014–2016г. сократилось на 7,2%. См. «Неразвитость малого и среднего бизнеса в Беларуси – миф.» *Евразия Эксперт*. 7 Dec. 2017. Web. 17 Mar. 2018. <<http://eurasia.expert/nerazvitost-malogo-i-srednego-biznesa-v-belarusi-mif/>>.

¹⁴ См. «Отдельные показатели Европейского инновационного табло (EIS-2016).» *Наука и инновационная деятельность в Республике Беларусь*. Минск: Белстат, 2017. 133. Print; *Наука и инновационная деятельность в Республике Беларусь*. Минск: Белстат, 2012. 16. Print.

¹⁵ *Наука и инновационная деятельность в Республике Беларусь*. Минск: Белстат, 2017. 32. Print.

Conclusion

Regretfully, the Year of Science did not become a turning point in science and innovation policy: it was still going down the old path of tight administrative mobilization of catastrophically shrinking financial, personnel and economic resources. The fact that a number of the most significant indicators (knowledge intensity, expenditure on R&D, the number of personnel) approach the threshold values challenges Belarus' mobilization model when it comes to innovation-driven development.

THE RELIGIOUS SPHERE IN BELARUS: STABILITY AND CONTROLLABILITY

Natalia Vasilevich

Summary

The situation in the religious sphere in 2017 is easier to describe perhaps in terms of what did not happen than what did. Although the 500th anniversary of the publication of the Francysk Skaryna Bible had a certain symbolic potential for churches and the church community, the tone in the anniversary events was set by the academic community and the public. The situation in the religious sphere is 'frozen', there is almost no dynamics, the state and religious organizations maintain a stable balance. The authorities continue the policy of controlling the religious sphere through current bureaucratic mechanisms that complicate spontaneous and active events of religious organizations. In the Orthodox Church gradually the balance of the elites is settled. The Catholic Church continues to try to build a balance in relations with the state, for any occasion actualizing the topic of the concordat.

Trends:

- Control over the religious sphere is mainly carried out through bureaucratic mechanisms without creating hotpots of tension;
- The Belarusian Orthodox Church largely completes its structural and personnel reformatting; the balance of elites is being achieved;
- The Roman Catholic Church re-actualizes the conclusion of the concordat.

Legislation and institutions: 'in order to support the stability of the interconfessional situation'

For the state authorities of Belarus the main positive characteristics of any subsystem of public life are stability and controllability. It is for the sake of their security that the complex legislative and bureaucratic regulations and officialdom work¹. The controlling and sanctioning role of the officialdom is primary in relation to the legislative norms, because officials, if needed, can apply the rules, ignore them or act contrary to them in order to 'maintain stability'.

¹ Василевич, Наталья, Шавцова, Дина. «Свобода совести в Беларуси в 2015–2016 годах: новые тренды.» *Ініцыятыва FORB*. 19 Apr. 2017. Web. 28 Feb. 2018. <<http://forb.by/node/681>>.

Answering the questions of the priests of the Archdiocese of Minsk concerning violations of art. 13 of the Law *On freedom of conscience and religious organizations* in some cases which requires that the head of a religious organization be exclusively a citizen of Belarus, Plenipotentiary for religious affairs Leonid Gulyako said that although there is such a rule ‘when some decisions are to be made, we are not very strict to follow it. We have people both from Russia and from Ukraine, and they are the heads of the parishes in the Orthodox Church. If to strictly adhere today to these standards 31 persons of the Catholic Church must leave the country immediately’.²

It is significant, first, that the Plenipotentiary speaks about the norm rather formally, as of something ‘recorded’, i.e. as something that exists only on paper, despite the fact that art. 7 of the Constitution explicitly requires that ‘the State and all its bodies and officials act within the Constitution and the acts of legislation adopted in accordance with it’. Second, the statements of the Plenipotentiary reveal that he has a poor situation awareness and does not know that according to the Charter of the Roman Catholic parishes in Belarus the Executive organ of the parish is ‘Church Committee’ (section 3.5), which is headed by the Chairman (sec. 3.8), and the archpriest for the position can be selected only if he is a citizen of the Republic of Belarus (sec. 3.8.1). It is due to these controversial norms of the Roman Catholic Church that it had to change the parish charter having created for itself additional problems, including mismatches between secular statutes and the norms of the Canon Law and the ways of organizing of the inner structure.

On the one hand, the Plenipotentiary acknowledges that the mentioned norm of art. 13 in some cases is not conducive to religious stability. It is worth mentioning that the head of the Belarusian Orthodox Church, Metropolitan of Minsk and Zaslavl Paul (Ponomarev) is a citizen of the Russian Federation, and it means that he holds the position of the BOC head

² «Леонид Гуляко считает, что ст. 13 Закона “О свободе совести” в отдельных случаях исполнять необязательно.» *Ініцыятыва FORB*. 21 Dec. 2017. Web. 24 Feb. 2018. <<http://forb.by/node/685>>.

in violation of the law. On the other hand, the state authorities deliberately choose the strategy of exceptions that are beyond the Law, which puts religious organizations in a greater dependence on the decisions of state authorities.

The Orthodox Church: its own way

In the internal life of the Orthodox Church the process of re-formatting the ‘elites’ is almost completed, and at the moment it is possible to mention the following centers: the leadership of the BOC, which consists of the Metropolitan Paul and the team formed by him and dependent on him, which consists mainly of young and previously unknown priests. The second center is a favorite of President Lukashenko from among the priests, Minsk Archpriest Fyodor Pouny, the fame and political resources of whose are guaranteed by his personal weekly broadcast on Belarusian TV, by the special status of his parish of All Saints, as well as by his personal relationships with government officials and people who hold high positions in the government. Between these two centers there is a tacit opposition, which, however, is practically not manifested in the public space. In addition, the third largest center is St. Elisabeth Convent – a major religious, economic and social structure, to which several thousand employees and activists belong and which currently has a monopoly in some areas – both in ecclesiastical business and in the publishing and cultural activities, it has large resources and a strong identity.

On the one hand, within the BOC the use of the Belarusian language expands, regular services in Belarusian occur at least in four Minsk Orthodox churches, in two churches of Minsk region, in four Hrodna churches. Commemorating the 500 anniversary of Skaryna Bible the first official Orthodox translation of the New Testament into Belarusian was published³. The official page of the BOC on the Internet now has the full Belarusian

³ “Выдадзены пераклад Свяшчэннага Пісання Новага Запавету на сучасную беларускую мову.” *Афіцыйны партал Беларускай Праваслаўнай Царквы*. 07 Sep. 2017. Web. 28 Feb. 2018. <<http://www.church.by/by/news/uvidel-svet-perevod-svjashennogo-pisaniija-novogo-zaveta-na-sovremennyj-belorusskij-jazyk>>.

version⁴. On the other hand, the process of canonization of the Metropolitan of Lithuania and Vilnius Joseph (Semashko) is activated, around whom Pro-Russian forces of the BOC unite.

All sorts of grassroots initiatives that are connected mostly with civil society rather than with the leadership of the BOC expand. Among these initiatives are the festival 'Borderland', which in 2017 was held for the second time thanks to the activities of the volunteer group; the consolidation of the Belarusian independent theologians around the theological section of the International Congress of Belarusian Researchers and the launch of the cooperation network of Belarusian theologians in the Diaspora.

The Roman Catholic Church, the Belarusian state and society: the concordat is on the agenda

In May 2017 Metropolitan Tadeusz Kondrusiewicz gave the keynote presentation on 'the Interaction of Church and state in our time', at the Academy of management under the President of the Republic of Belarus⁵, where he presented his view on the development of relations between the church and the state in Belarus. In particular, the head of the Catholic Church in Belarus mentioned a fundamental inequality between the world Catholic Church and the one of the national states, because the Church carries out a 'global program', while the state 'adopts specific programs to solve specific problems' (sec. 4).

On the one hand, he noted that the mission of the Church is the creation of equitable social structures, on the other hand, this vocation is indirect, it provides for the mutual autonomy of the Church and the state, securing the latter of the 'rights necessary for its activities', including the defense of religious liberty by 'just laws and other appropriate means' and the right of the Church to 'a moral evaluation of its [the state's] activities in the field of human rights and the salvation of souls' (sec. 5),

⁴ *Афіцыйны партал Беларускай Праваслаўнай Царквы*. Web. 28 Feb. 2018. <<http://www.church.by/by/>>.

⁵ Кандрусевіч, Тадэвуш, Мітрапаліт. "Узаемадзейненне Касцёла і дзяржавы ў наш час." *Ініцыятыва FORB*. 10 May 2017. Web. 28 Feb. 2018. <<http://forb.by/node/682>>.

‘free to bear the spirit of the gospel in society, to proclaim and to defend moral values and to develop the social doctrine for a secular state to benefit from the laws of Christian values’ (sec. 7).

The best way to regulate relations between the state and the Church according to Metropolitan, is the system of the concordat, ‘a legally registered’ agreement between the Vatican and the government that defines ‘internationally ... the mutual rights and obligations of the sides’. The concordat, the talks about which have been conducted since the memorable visit of the Secretary of State of the Vatican, Cardinal Bertone to Belarus almost a decade ago, and which becomes more and more topical during visits of the head of the Belarusian state and the high-ranking Belarusian officials to the Vatican, which, however, does not facilitate the actual signing of the document⁶. The Conference of Catholic bishops of Belarus made a statement in May about the need for ‘a legal settlement of relations between the Catholic Church in Belarus and the government for a more effective cooperation for the spiritual benefit of the Belarusian people’.⁷

It is obvious that the Belarusian state has sabotaged for a long time the conclusion of the concordat, however, Metropolitan Kondrusiewicz still hopes that once the signing will take place, and the government will agree to conclude a concordat to ‘raise the image of Belarus on the international arena’, recognizing that ‘not all the problems associated with preparation of such an agreement are solved’ (sec. 7). Though in fact it was Belarusian legislation that contains repressive restrictions on the freedom of religion, to which the Vatican paid attention within the procedure of the Universal periodic review for Belarus, stating the need to ‘take measures to prevent restrictions on freedom of religion and belief and to ensure greater compliance with the right to freedom of expression and freedom of associations’⁸, the

⁶ Васілевіч, Наталля. “Беларусь і Ватыкан: ці магчымае заключэнне канкардату?” *Ініцыятыва FORB*. 01 Apr. 2011. Web. 28 Feb. 2018. <<http://forb.by/node/223>>.

⁷ “Паведамленне з 65-га пленарнага пасяджэння Канферэнцыі Каталіцкіх Біскупаў у Беларусі.” *Рыма-Каталіцкі Касцёл у Беларусі*. 04 May. 2017. Web. 28 Feb. 2018. <<http://old.catholic.by/2/home/news/belarus/34-belarus/134221-pavedamlennie.html>>.

⁸ Васи́левич Н., Шавцова Д., *opt.cit.*

head of the Church tried to offer a compromise. Recognizing that the legislation does not provide 'the full right to religious freedom', because 'many of the provisions are outdated and do not correspond to our time and the real situation' (sec. 9), he noted many positive provisions of the current Law and proposed to solve problems not through changes of the law, which would concern all religious organizations, but through 'Church-state agreements' (sec. 8), which concern some specific religious organizations ad hoc. This corresponds to the state strategy is described in the section 'Laws and institutions'.

The Metropolitan mentioned the following issues that concern the Roman Catholic Church: 1) the issue of foreign priests: first, the need for priests, who briefly visited Belarus as tourists, additionally to obtain prior permission from the relevant state bodies to conduct holy services; second, the problem of non-agreement or agreement only for a short time of permits for religious activities of foreign clergy; 2) the transfer of previously confiscated Church buildings to parishes testifies to the need for legislation on restitution; 3) creation of a state program on restoration of historic buildings; 4) the question of sanctions for long-term constructions of churches; 5) the question of foreign donations: complicated procedures of their receiving, registration and use, the lack of tax benefits for sponsors; 6) interaction with the departments of ideology: the requirement to submit a program of teaching Catechism at Sunday schools and lists of children; 7) religious education in schools on an optional basis for the Roman Catholic Church; 8) permit and support of pastoral activities in medical institutions; 9) permit of the pastoral activities in places of detention and in the army; 10) ignorance of experts for religious affairs of the fundamentals of doctrine and canonical laws of religious organizations, whose activities they control; 11) the problem of prison tracks, the tension from their presence in the mass events and festivities, including during the pilgrimage to Budslau (sec. 9).

Such statements by Metropolitan Tadeusz Kondrusiewicz are, on the one hand, an attempt to build the borders of their religious organization in relations with the modern regime. However, on the other hand, there is a distancing from parties, which are based on Christian values, in particular from

the unregistered party of Belarusian Christian Democracy, for which, basing on its positioning in the political and ideological field, it is strategically important to have, if not support, then at least close contacts with the churches. Metropolitan Tadeusz, though encourages the laity to ‘engage in politics with the purpose of Christian witness and the support of moral values in government’, he nevertheless expresses a ‘negative attitude’ of the Catholic Church towards the ‘the idea of founding a Catholic party’, as such an idea is out of date, ‘from the last century’ (sec. 6).

It should be noted that at critical moments Metropolitan Kondrusiewicz, without going into open confrontation with the authorities has the courage to make public statements about certain public events charged politically. In February, the head of the Catholic Church made an appeal ‘in connection with the situation in Kurapaty’⁹ where he called ‘representatives of the Minsk authorities, the Ministry of Culture, developers, local residents and volunteers with the participation of representatives of different confessions and lawyers to search for solutions acceptable for all in this problem emerging and exciting in our society through an open and sincere dialogue and not through emotions’. And in March, he expressed concern about the arrests of public and political activists before and during the events dedicated to Freedom Day, expressing hope for ‘just and humane treatment of detainees’ and urging ‘the government and its opponents, as well as public organizations and people of different views to engage in a constructive dialogue’. On the one hand, the fact that the Metropolitan touches upon topics current for the ‘opposition’ updating them could be construed as a support of their agenda. However, the key word in Kondrusiewicz’s statements is ‘dialogue’ as something alternative to the protest. However, since in the conditions of the Belarusian political system the civil society has no mechanisms to initiate any dialogue with the authorities, such a dialogue, whose precedents has never happened in the history of the strengthening

⁹ “Зварот арцыбіскупа Тадэвуша Кандрусевіча ў сувязі з сітуацыяй у Курапатах.” *Рыма-Каталіцкі Касцёл у Беларусі*. 25 Feb. 2017. Web. 28 Feb. 2018. <<http://old.catholic.by/2/home/news/belarus/34-belarus/133622-kurapaty.html>>.

of the regime of President Lukashenko, either depends only on the good will to the dialogue on the part of the authorities, or on strong pressure on the authorities.

Conclusion

The government will continue to try to maintain the situation as it is. In the BOC the confrontation between Metropolitan Paul and archpriest Fyodor Pouny will increase, the Orthodox seek to obtain accreditation of the Church theological schools from the state. The Catholic Church will continue to promote the possibility of a concordat, at least in some form.

HEALTH CARE: GOOD INTENTIONS BUT OLD METHODS

Andrei Vitushka

Summary

2017 was characterized by a decrease in the birth rate with a relatively stable mortality and other demographic and health indicators. For the first time in Belarus the main factors of health risk of the population were defined according to international methodology. The informatization of the medical sphere was declared as a way to improve its situation (aside from budget cuts). The structure of the system and the relation of its elements remain predominantly vertical and command with the explicit desire to apply 'manual control' to it.

Trends:

- Important measures to improve medical system functioning were announced (the development of the institution of general practitioners, the expansion of e-Health, etc.);
- Changes are implemented by commanding and administrative methods without involvement of industry workers to solve its problems;
- The process of optimizing the structure of the health system is almost scaled down (reduction in hospital beds).

Demographic indicators and health status of the population of Belarus

At the beginning of 2017 at the final Board of the Ministry of Health the first Deputy Prime Minister, former Minister of Health V. Zharko said that 'in 2017 we need to maintain the natural increase of the population'.¹ It is unknown where he received that information about the population growth, as according to the National Statistics Committee in 2016 the birth rate was minus 1.6 thousand people, and in 2017 it was minus 16.8 thousand people. Thus, the population decreased from

¹ «Коллегия Минздрава. Итоги года 2016. Василий Жарко: не останавливаться ни на миг» *МедВестник*. 2 Feb. 2017. Web. 30 Apr. 2018. <<http://www.medvestnik.by/ru/officially/view/vasilij-zharko-ne-ostanavlivatsja-ni-na-mig-16124-2017/>>.

9505 to 9492 thousand people². Therefore, it is not possible to talk about growth; moreover the rate of loss was not fixed. As in the last 7 years, the labor pool declined by about 60 thousand in the year, while the number of citizens of retirement age annually increases by about 40 thousand. It should be noted that the number of people under the age of 15, during 2017 increased by 28 thousand, which is due to the increase in the birth rate that occurred prior to 2015³ but this trend is not long-term because the thin generation of the 1990s entered the child-bearing age.

The birth rate last year dropped predictably by 12.9 percent: from 12.4 to 10.8 per 1,000 of population. Traditionally, the leader is Brest region (11.8 per 1,000 of population), followed by Minsk region (11.5 per 1000) and the worst indicator is in Viciebsk region and in Minsk (9.6 and 9.8 respectively).

The ratio of the overall mortality rate was 12.5 per 1000 (decreased by 0.1 to the level of 2015). The mortality rate of the working population remains high and is 3.8 per 1000 population (0.1 lower than in 2016) with a significant difference between Minsk and the regions (2.7, against 4.2 in Minsk, Homiel and Viciebsk regions). In Minsk almost one in five deaths occurs in pre-retirement age.⁴

The mortality of males under the age of 60 (international index) in Belarus is 3–4.5 times higher than in the ‘old’ EU countries.

The leaders of the cause of death have not changed – they are heart and blood vessels diseases (about 63%), the incidence of which rose by 4.3% last year, while the number of revealed cases is 18.2%. Overall mortality from these causes also increased, but not significantly – by 0.4%, while it fell by 0.1% among citizens of working age. The second place is taken by

² «Численность и естественный прирост населения.» *Национальный статистический комитет РБ*. Web. 30 Apr. 2018. <http://www.belstat.gov.by/ofitsialnaya-statistika/solialnaya-sfera/demografiya_2/g/chislennost-i-estestvennyi-prirost-naseleniya/>.

³ «Инфографика “Рождаемость в Беларуси”.» *БелТА*. 15 Aug. 2017. Web. 30 Apr. 2018. <<http://www.belta.by/infographica/view/rozhdmost-v-belarusi-8763/>>.

⁴ «Минск в 2017 году.» *МедВестник*. 16 Feb. 2018. Web. 30 Apr. 2018. <<http://www.medvestnik.by/ru/officially/view/minsk-v-2017-godu-17387-2018/>>.

cancer (approximately 14%), the overall mortality rate has no tendency to decrease (about 83 cases per 100 000 population).

In 2017 the first national survey of risk factors of non-communicable diseases (which are responsible for almost 80% loss of population) in the history of Belarus was completed among the population aged 18–69 (STEPS study).

The level of risk factors of non-communicable diseases remain high: about half of the male population and 13% of female are smokers, the level of alcohol consumption is high (up to 17.4 liters of pure alcohol per capita), a significant number of respondents are overweight (30% of women and 20% of men), they eat little fruit and vegetables and significantly overuse the consumption of salt. A combination of three or more risk factors were identified in 40.5% of the respondents, none of the factors was found only in 5.6% of participants.⁵

The STEPS study found that in Belarus the arterial hypertension is not controlled well enough, which is an important risk factor for heart attacks and strokes⁶ (almost half of the respondents (44.9 per cent) showed high blood pressure and more than half (53,4%) of respondents with high blood pressure said that they did not take antihypertensives regularly).

Life expectancy in Belarus in 2017 rose to 74.3 years (growth by 0.2 years as in 2015–2016). Slightly (by 0.2 years) decreased the difference in life expectancy between men and women, which is 10–12 years and a peak for Europe. ‘At the pan-European picture, we look good’, the Minister of Health Valery Malashka⁷ commented on these figures. To be more precise, we look better than Russia (72.5 years), Moldova and Ukraine

⁵ «Распространённость факторов риска неинфекционных заболеваний в Республике Беларусь (STEPS 2016 (2017)).» *Всемирная организация здравоохранения*. Web. 30 Apr. 2018. <http://www.euro.who.int/__data/assets/pdf_file/0020/348014/STEPS-Report-for-site-RU-webpage-29082017.pdf?ua=1>.

⁶ «Преимущество в комплексном подходе.» *МедВестник*. 23 Mar. 2018. Web. 30 Apr. 2018. <<http://www.medvestnik.by/ru/officially/view/preimuschestvo-v-kompleksnom-podxode-17528-2018/>>.

⁷ «Ожидаемая продолжительность жизни в Беларуси в 2017 году достигла 74,3 года.» *БелТА*. 1 Feb. 2018. Web 16 March 2018. Web. 30 Apr. 2018. <<http://www.belta.by/society/view/ozhidaemaja-prodolzhitelnost-zhizni-v-belarusi-v-2017-godu-dostigla-743-goda-287432-2018/>>.

(71 years), but worse than the European average indicators (77.2 years), and directly ahead of us is Albania (over 75 years).

The priorities of the health system

According to Minister Malashka, the main priorities of the Ministry in 2018 are activities aimed at improvement of medical-demographic situation. This is a difficult task, because to increase the birth rate is nearly impossible due to the small number of young women. The infant mortality rate is at a low level and has virtually no scope for reduction, and medical workers alone cannot affect non-communicable disease risk factors.

They plan to improve the situation by means of the work of the ‘interdepartmental councils on demographic security, improvement of work with personnel, effective work of the obstetric-therapeutic-pediatric councils, etc’.⁸

Little is known about the specific content of interagency cooperation, but the improvement of work with the personnel was expressed in the introduction of additional reporting to the higher bodies in the form of weekly written reports by Fax to the Ministry of Health about all extremely bad patients in intensive care units across the country. Two months later, the order was canceled.

The best way to reduce the non-communicable diseases is to affect behavioral risk factors: smoking, alcohol consumption, low physical activity, unhealthy diet etc. The main burden of these tasks falls on the primary care. It was announced that preventive action in primary care should occupy at least 30% of the time, but it's unclear where to get it with all the amount of paper work, which health care providers should deal with.

It was stated that the central figure in primary care must become a general practitioner. Last year the number of professionals already made up 40.2% of all primary care physicians,

⁸ «Доклад министра на коллегии Минздрава “О работе органов и организаций здравоохранения в 2017 году и основных направлениях работы на 2018 год”.» *МедВестник*. 8 Feb. 2018. Web. 30 Apr. 2018. <<http://www.medvestnik.by/ru/officially/view/valerij-malashko-nasha-glavnaja-tsel-uluchshenie-demograficheskoy-situatsii-v-strane-17344-2018/>>.

in 2018 it should be 60% and in 2020 the process of formation of this institution must be completed. Training and retraining are offered by all medical schools, changes were introduced in departmental staff schedule, and the current graduates of therapeutic profile are mainly general practitioners. But from conversations with freshly appointed ‘multiskilled’ doctors as well as re-trained therapists it becomes clear that this innovation in the Belarusian conditions is facing a serious legitimacy problem, when the doctors do not perceive themselves as ‘respected universal soldiers at the cutting edge of medicine’ but rather as local physicians, with expanded responsibilities for the same amount of money.

A new form of work with the population and its old contents

In 2017 to promote a healthy lifestyle in the society the Ministry of Health together with the departmental newspaper ‘Medical Bulletin’ created two Internet portals: ‘Healthy people’ (24health.by) and Teenage.by which contain information about ways of preserving health, news on the topic, there is a directory of medical institutions. As the creators say, the websites contain only correct medical content, they are eager to talk to visitors in plain language and to involve the best specialists. Thus, Belarus joined the progressive trend of so-called trustworthy health resources – websites that are made by medical associations or governmental public health agencies with the involvement of experts in various fields of medicine.

Strategy for optimization of health. Personnel problem

As in the last year, the informatisation of healthcare was declared as a significant measure that would improve the quality of medical care⁹. The first step in this process is the implementation of ‘Electronic prescription’, which in 2018 should be launched in

⁹ «Информатизация здравоохранения повысит качество медобслуживания – Малашко.» *БелТА*. 16 Mar. 2017. Web. 30 Apr. 2018. <<http://www.belta.by/society/view/informatizatsija-sfery-zdravoohraneniija-povysit-kachestvo-medobsluzhivaniija-malashko-237835-2017/>>.

the operating mode throughout Belarus. By the time this article was written about 6,5 million electronic prescriptions had been issued which is not much given more than 90 million visits to doctors and clinics annually, but the growth dynamics is very positive (doubling in 2017).

The next step will be uniting of all medical institutions in a single network and establishing a common database of medical information about citizens of Belarus, which will be available from any medical institution of the country. For this purposes USD125 million were borrowed from the World Bank, and by 2019 the system will have been launched in general in Minsk. It is planned that in 2020, 100% of medical records will be in electronic form. Thus, Belarus now comes into the process which Lithuania completed in 2015, and Estonia, the leader of e-Health in our region did that as far back as in 2010.

Another component of e-Health of Belarus – consultations using telemedicine technologies – is also not yet visible: last year only 802 consultations were held, and only 30% of the connected institutions carry out such consultations on a regular basis, and some of the national centres do not have internal computer networks and ubiquitous Internet access.

Last year the process of reducing hospital beds slowed down with the transition to more efficient outpatient technology. Minister Murashka said summing up the results of the year: ‘The reform is not the reduction of beds and personnel; it is a wise management of resources’, which indicates a low willingness of industry leadership to address systemic structural changes. Perhaps this happened due to the increased funding for the sector in 2017 by 18%.

According to nationwide bank of vacancies in December 2017 nurses and doctors are mostly in demand among employers in Belarus (2446 and 2296 vacancies respectively)¹⁰. A shortage of 2,500 physicians is 6% of the total number of those who work. In the field the coefficient of secondary employment is very high – 1.3, and the average salary chronically falls short

¹⁰ «Рынок труда Беларуси испытывает дефицит медиков и водителей.» *БелТА*. 20 Dec. 2017. Web. 30 Apr. 2018. <<http://www.belta.by/society/view/rynok-truda-belarusi-ispytyvaet-defitsit-medikov-i-voditelej-281471-2017/>>.

30% of the salary in industry and 20% of the average salary in the country.

Meanwhile, WHO experts have repeatedly pointed out that Belarus has a problem not with the number of health workers but with their poor distribution and shortage of primary care, especially in rural areas. Until now, all measures to address this imbalance (forced distribution of young specialists, target allocation of medicals student, etc.) had no success.

Resonance public discussion in the sphere of health care

The most significant public debate in health care last year was the discussion of medical care in maternity hospitals of the country and the desire of women to give birth at home. The trigger for the discussion was the case of Viciebsk, when the local Department of the Investigative Committee initiated a criminal case against Volha Sciapanava for causing death by negligence to her child who died during home birth. The woman was sentenced to 6 months of a colony settlement, but she filed an appeal, where among other things she asked to punish medical staff for wrong assistance to her child. Re-examination of the case revealed numerous inconsistencies in the testimony of the paramedics of the ambulance and those in the hospital, where the child was taken, the court took Sciapanava's side, although refused to prosecute physicians. The country's Supreme Court confirmed the acquittal.¹¹

In the process of public discussions numerous cases of improper (according to commentators) treatment of women in maternity hospitals of Belarus were mentioned as well as the failure to provide them with information and the violation of their rights. The response from officials of the Ministry of Health was the announcement of the figure of 230 births at home in 2016 and the statement that 'to have home birth is to have no

¹¹ «Верховный суд оставил в силе оправдательный приговор по делу о домашних родах в Витебске.» *Naviny.by*. 5 Apr. 2017. Web. 30 Apr. 2018. <<https://naviny.by/new/20180405/1522915560-verhovnyy-sud-ostavil-v-sile-opravdatelnyy-prigovor-po-delu-o-domashnih>>.

responsibility to the newborn¹². It is significant that the wave of public attention to the topic of the survey of women about their experiences of child birth in Belarus was conducted not by governmental agencies but by public initiative ‘Radziny’¹³. 1,100 respondents took part in the survey, 6.3% of whom gave birth at home because of the psychological comfort and the ability to give birth without medical intervention. The survey showed a high level of satisfaction of women interacting with women’s consultations, but also demonstrated the problem of the availability of some services (60% of respondents applied for paid services because they could not get them for free (30%), and paid centers provide better quality service (16%). They also found problems in communication with health workers at the stage of maternity hospitals (37% said that they were not warned about medical intervention, which was carried out by doctors). The positive results of the public debate and (possible) interaction of the state structures and public initiatives such as ‘Radziny’ is the decision to permit the admission of relatives to the wards of maternity hospitals¹⁴, adopted at the beginning of 2018.

Conclusion

Last year for the Belarusian medicine should be recognized as a year of important words and good intentions. The development of the institution of the general practitioner, information, control and improvement of quality, personalized therapy – all these measures to improve the situation in health care were suggested by domestic and international experts (see the publica-

¹² «Роды дома – это эгоизм, а роддом – не тюрьма. Главный акушер-гинеколог страны о домашних родах.» *TUT.by*. 1 Oct. 2017. Web. 30 Apr. 2018. <<https://news.tut.by/society/562677.html?crnd=19158>>.

¹³ «Женщины выбирают домашние роды из-за психологического комфорта.» *Naviny.by*. 29 Sep. 2017. Web. 30 Apr. 2018. <<https://naviny.by/article/20170929/1506678195-zhenshchiny-vybirayut-domashnie-rody-iz-za-psihologicheskogo-komforta>>.

¹⁴ «Родственники смогут посещать молодых мам в палатах роддомов.» *БелТА*. 24 Feb. 2018. Web. 30 Apr. 2018. <<http://www.belta.by/society/view/rodstvenniki-smogut-poseschat-molodyh-mam-v-palatah-roddomov-291392-2018/>>.

tion of the World Health Organization ‘Belarus. Health System Review’¹⁵) in 2008.

Progressive ideas but the same old methods of their implementation: vertical administrative–command without the desire to provide some legitimation of innovations among the employees of the system and work on their support by population are evident. On the contrary, there is a tendency to narrow even more and formalize channels of communication from ‘upwards’ in the system, as well as a less balanced response to the negative queries from the population. Given that the very flawed structure of the system is not changed, and little is done to motivate its employees, the significant results of these activities should not be awaited for. In the next two years while maintaining a relative macroeconomic stability, the leaders of the medical sphere will develop digital health in the IT country. Not until they will figure out something new.

¹⁵ Richardson, E. et al. “Belarus: Health system review.” *Health Systems in Transition*, 2008, 10(6). 1-118. Print.

SILENT PARADE: BELARUSIAN CULTURE – AN EPOCH SET TO ZERO

Maxim Zhbakov

Summary

Belarusian culture in 2017 remained a trifling element (0.54% of the annual state budget¹) of public life, playing the long-established role of a virtual national self-identification factory. Bureaucratic control over output and distribution of cultural products coupled with the hindered rehabilitation of selected historical figures and undesirable relevant authors creates an odd impression of conceptual tuning of official culture. Leaving its semantic hollowness unchanged, designers of the ‘cultural thaw’ create an illusion of growth by refurbishing the permitted decor.

It is not the hierarchy of values that is changing, but the intensity of the presence of the autocratic discourse in mass culture. Instead of the energy of freedom, Belarusian culture replicates a new humdrum – singing and dancing of the loyal and flexible. The synchronous rejection of the strong-willed ideological confrontation by the authorities and nonconformists kills the passion for change. Protest creativity is transforming into a negotiation and then into a game of convenience.

Trends:

- Crisis of the ideological confrontation makes both the pro-government culture routine and actions of nonpartisan intellectuals equally noisy;
- Soft legalization of the old culture of struggle naturally leads to a new stage of ‘Belarusization light’, i.e. building up linkages between its envoys and local businesses;
- Search for national identity in its advertising and commercial dimension.

Yesterday as tomorrow: Songs in the void

In comparison with 2016, which we saw as a time of contemplative decor and a slow march of the national design, the cultural layout of 2017 looks boring like a worn out embroidered shirt. The light Belarusization that had been hyped up over the past two years has become a hackneyed element of

¹ «Закон “О республиканском бюджете на 2017 год”.» *Национальный правовой Интернет-портал Республики Беларусь*. 26 Oct. 2016. Web 2 Apr. <www.minfin.gov.by/upload/bp/act/zakon_181016_431z.pdf>.

the local cultural space. This is an indisputable fact. But no longer a happening.

No one looks indifferent hearing the Belarusian language in public places. Hipsters wear hoodies with Pahonya prints and sing songs from Narodny Album in underpasses. Alivaria brews beer for the anniversary of the Belarusian People's Republic. McDonald's teaches visitors to play Kupalinka on the pipe. In the center of Minsk, advertising boxes invite to Symbal.by. One block farther down, KORPUS Center invites to a regular event of 'the other culture.' The Belarusian Republican Youth Union (BRYU) tried on embroidery-print T-shirts again. Zmicier Vajciuskevich went on tour to provincial clubs. Once fierce, battles of ideas and aesthetic inconsistencies ended with the capitulation of both sides in favor of the third player – convenient national consumption. History is being actively replaced with stage shows, and cultural identity with a trade fair of permitted symbols.

The imitative essence of the official cultural policy was most clearly manifested in the fondness of costumed processions. On June 24, in the center of the capital, the BRYU reconstructed a partisan parade of 1944 with wooden guns, cardboard planes, well groomed 'wounded', functionaries in soldier's blouses, a children's choir and a goat named Kid. On July 2, the BRYU assisted by local administrations initiated the nationwide action 'Embroidery Day' meant to 'expand the spiritual consciousness of the Belarusians'.² The key element was a youth march (an art parade) 'Under the Banner with Embroidery.' And that was not about memory or patriotism. It was about the willingness to play anything upon orders from above.

The absence of events dominated the list of cultural events: a semantic drift, exploitation of old vocabularies and broken records. Film director Alexei Turovich shot at his own expense a one-hour anti-Stalin drama, a screen adaptation of Vasil Bykov's novel 'The Yellow Sand'.³ Turovich's personal initiative

² «Молодежный арт-парад откроет «День вышиванки» в Минске.» *Молодежь Беларуси*. June 2017. Web 2 Apr. <<http://brsm.by/news/den-vy-shivanki-v-minske/>>.

³ «Карціна паводле Быкава распавяля пра сталінскія рэпрэсіі.» *Звязда*. 7 Oct. 2017. Web 2 Apr. <<http://zviazda.by/be/news/20171006/1507296546-karcina-pavodle-bykava-raspavyala-pra-stalinskiya-repressii>>.

sounded like a provocative address to the national film studio Belarusfilm, which has been dead silent for years, but could not break its stylistic inertia, having played the worked-out topic with secondary techniques. It was a typical ‘perestroika’ product, late in terms of both the message and the form.

Another film ‘with a message’ – the only product born by the state-run film studio in 2017 – made a strange pair with the ‘Sand.’ ‘Footprints on the Water’ by Alexander Anisimov describes the post-WWII fight against anti-Soviet guerilla. In the era of an ideological myths coma, this topic can only be saved by deep psychological effects, frantic action or a brilliant personal style of the author. The ‘Footprints’ have neither. There is a ‘correct message’ (as in Turovich’s film), and inertial spending of budgetary funds.

Svetlana Alexievich’s Intellectual Club left in 2017 as a hybrid of a high society chat room and an old-fashioned series of public lectures proved to be a failure.⁴ Guest visits of friends and acquaintances of the Noble Prize winner (random topics, comments in passing) could not become a public narrative laboratory, not to speak of a school of critical thinking. It was designed as a place for a competent examination of the present, but lacked a clear overall concept, articulate audience, and adequate direction. The Club was put on hiatus in November and has not showed signs of life ever since.

The project of independent producer Sergei Budkin ‘(Un) Shot Poetry’, a tribute to Belarusian writers repressed in the 1930s, sounded like an encrypted epistle from the edge of the abyss. The complex endeavor linked together a compilation of works of Belarusian artists, a music video, a series of lectures, a concert, and thematic graphic art works. The project promised a lot, but, in fact, only offered a symbolic presentation of a cultural archive, and notional resuscitation of the unread poorly compatible with current cultural and educational policies, which means that it was doomed to remain a one-time marginal event.

⁴ Жбанков, Максим. «Как движется “Лёд”. Владимир Сорокин в заложниках белорусского интеллектуализма.» *Белорусский журнал*. 31 May. 2017. Web 2 Apr. <<http://journalby.com/news/kak-dvizhetsya-lyod-vladimir-sorokin-v-zalozhnikah-belarusskogo-intellektualizma-950>>.

The cultural jihad of Sergei Pukst, who released the album 'The Unwanted Truth about the Belarusians-2' under the True Litwin Beat signboard, was a step across the living context. Acid-tongued patter to a hard beat with guitar inserts, eloquent rhyme, hooliganish girlie vocals, and desperate attacks on long irrelevant personas of the Moscow pop beau monde and tattooed revolutionaries from Brutto. The author passionately pays off old scores and loses the listener, who does not remember any of the insulters, or, maybe, never heard of them.

The life in the inertial material involves working with secondary meanings and archival strategies. There is a risk for the artist to dissolve in that material, scatter over footnotes and references and become a retransmitter of information noises of the garbage culture.

Editing landscape: details of shaping and control

The silent transformation of 'the other culture' into a tertiary industry makes state agencies and free artists mutually dependent. The latter need licenses to perform, while the former need a constant recharge of their power to issue such licenses.

A certain stir aimed at the revival of the national film industry suddenly began after a two-year pause. A project brought up for public discussion in October⁵ (in the shortest time possible, as always) confirmed what has never needed confirmation: there is only one source of funding – the state budget. And there is only one employer – the state. And there is only one cause – the cause determined by the state. Control and reporting are the main film making tools. Money allocated from the scarce budget intended for culture is the main advantage. The right to get the work done and obtain 'state registration' (paid for, of course) is the main incentive. Without registration, a public demonstration of any home-produced film in Belarus is impossible. The project is in no way tailored to help the industry evolve. Instead, it gives an excellent opportunity for scot-free administrative

⁵ См. «Обсуждаем проекты нормативных актов в сфере культуры.» *Министерство культуры РБ*. Web 2 Apr. <<http://www.kultura.by/ru/obs/>>.

improvisations all the way to shutting a film down, or banning a film by means of censorship.

The year 2017 was marked by the symbiosis of culture and politics. Belarus saw a brutal crackdown on a peaceful demonstration on the Freedom Day; a battle for Kurapaty, where community activists laid down before bulldozers in defense of Stalinist purge victims; the hype around the possible termination of Polish funding for Belsat. The forged White Legion case (intimidation of voters by the state-controlled media and security services) spectacularly popped like a soap bubble.

The heroic victory over the Minsk street art was among the definitive achievements of the state culture management. A series of satirical images of high-ranking officials (including the minister of the interior and the chairman of the National TV and Radio Company) appeared on city walls after the brutal dispersal of the Freedom Day street action on March 25, 2017. The said-to-be culprit, coordinator of the independent art project Signal, artist Oleg Larichev was beaten by unidentified persons and detained by the police for ‘disorderly conduct for five days. He later informed of the closure of the project.’⁶

Cheburashkas and losers: new angles of Belarusian culture

The active inclusion of national codes (and their carriers) in the local commercial circulation was the next step towards ‘mild Belarusization’, hybrid mixes being a significant semantic accent of 2017: a cheerful mixture of pop music, commercial advertising, light partisanship and bayonet-happy choreography of security services.

Belarusian singers delegated to the Eurovision contest sang in the Belarusian language for the first time that immensely enthused the fans and brought up positive reviews in *Sovietskaya Byelorussia* daily and on Liberty Radio. Delicate Naviband performers became an ideal symbol of Belarusization-light

⁶ “Праект Signal закрыты: «Беларусі ня трэба стрыт-арт».” *Радыё Свабода*. 10 Oct. 2017. Web 2 Apr. <<https://www.svaboda.org/a/signal-usio/28784052.html>>.

embroidered patriotism, a quiet accord with the political routine and the puppyish ecstasy of living.

NaviBand is a perfect artifact of the era of conceptual nullification. It is nice, neutral and devoid of extremes, so much so that it can easily be appropriated in a variety of ideological and aesthetic spheres. The new idols equally easily dance and sing for Coca-Cola, Belsat, Eurovision and the KGB.

The militant repertoire is removed from the agenda. Invented quite recently by Lyapis Trubetskoy, the partisan rock remained an item of export to Ukraine and Poland. The unproblematically nostalgic Lyapis-98 sells better and easier in the homeland. A retouched and unsharped image of the tattooed rebel became a business card of the domestic monopolist Belavia: in its TV commercial, preppy looking Mikhalok reads Maxim Bogdanovich's 'Slutsk Weavers' staring at the clouds through the window with a lyrical expression on his face.⁷

When roles are diligently distributed and the status quo is sacrosanct, the marginal culture is invariably doomed. If the environment does not grow with it, and there is nowhere to grow with our stability.

The cabaret band Silver Wedding stopped concert tours in 2017. The promising Teleport broke up. Unintended children of British prog rock and Belarusian poetry – the aesthetic trio TonqiHod – left the stage indefinitely having released the strong album 'The Color that doesn't Exist.'

Belarusian Buddhism maestro Igor Babkov released the second volume of his polyphonic novel 'Khvilinka', which few would call a novel. There is neither a linear plot, no direct references to the first volume, which came out two years ago, nor even a list of well-defined characters. The text writes itself like poetry, like a dream pattern, an assemblage of states of mind, an anthology of mental events. 'Khvilinka' is based on the conceptual rejection of the present and time itself. This is the voice of the generation that failed to materialize itself and, basically, has no one to tell about this.

⁷ "«Белавія» паказала ў рэкламе Міхалка, які чытае Багдановіча." *Радыё Свабода*. 6 July. 2017. Web 2 Apr. <<https://www.svaboda.org/a/belavia-michalok/28599241.html>>.

The national film contest Listapad was won by yet another debutante Yulia Shatun with a slumberous, zero-budget melodrama ‘Tomorrow’, a mirror of the era of folded banners. The life of a pair of elderly provincials (her parents in the lead roles) is shown with empathy and hopelessness. An empty sky. Babbling TV. Run-of-the-mill townfolks. And a cold country with no history, or geography. The repelling daily routine makes one want to kill himself and end this misery, but there is nothing else around.

Global wanderer Roma Svechnikov was working on the same spontaneous choreography in an alienated environment. His Belarusian trip in the company of journalist Boris Nikolaichik was described in the homemade film ‘Around Belarus on Motored Bicycles’ (Listapad-2017 winner in the nomination Best Domestic Documentary), a naive collection of scenic sketches, a field diary and brief reviews of the local context. The country looks a piece of decor for onlooker’s contemplation, an exotic route for out-of-towners, and an occasion for a glazed slideshow with a view to a festival screening.

In a situation of global conceptual nullification, simple feelings and elusive sentiments come to the fore. A fresh way to be patriotically parochial is to provide zero semantic association and make a splash of fluid emotions.

The persona of the year in this environment is a fresh-baked director of events – young video blogger Vlad Bumaga who effortlessly brought together several thousand excited followers for his presentation in a shopping mall and then demonstratively ended the show ‘to prevent injuries’. The death of big myths – imperial or combative – gives place to an outburst of the profane grassroots mythology with its simple lures: youth, energy, stardust, extreme gameplay and sincere eyes of a mama’s boy.

The only options for today are depression or hype, losers or Cheburashkas.

Conclusion

The dynamics of the cultural situation in 2017 generally corresponds to the tendencies that we outlined in the previous reviews.

The state continues to exercise control and sanctioning in relation to culture, thus acting within the narrow range of loyal actions and the reproduction of quasi-Soviet patterns of mass consciousness. A general decline in the ideological conflict along with expanded duplication of the decorative national identity kills the very matter of dispute. Having come out of the Belarusian ‘partisan ghetto’, marginal cultural activists find themselves in the line for sluggish legalization, a residence permit within the legal cultural limits. The latter automatically assumes the adoption of its legitimacy and readiness for a compromise that activates the mechanisms of self-censorship and extinguishes abrupt movements.

There is a clearer distinction between the new local culture of leisure and the old tradition of militant nationalistic creativity. The very understanding of the national culture and its buildup scenario is changing. Declared in the last couple of years, the decorative nationalism policy contributes to the shaping of the Belarusian idea as a package of small entrepreneurial initiatives. They are safe for the authorities being merely projects of a non-revolutionary consciousness incapable of providing a critical mass of social change actuators. The gentle image of ‘dictatorship in an embroidered shirt’ paradoxically works as an advertisement without a zero chance to give an impetus to evolution.

Proclaimed by experts as the main outcome of the year, the rapprochement of two Belarusian cultures – ‘subsidized’ and ‘illegal’⁸ – can be defined in other way: an expansion of the zone of the stagnant mainstream, a replacement of showpieces behind the village shop window, unsold goods and eternal management. In this scenario, both sides of the former ideological confrontation continue to experience an outflow of resources and personnel in favor of the ‘third trend’ – a mediocre, post-political consumer culture, zones of commercial recruitment, blurred worldview orientations and decorative nationalism.

⁸ “Віктар Марціновіч: Дзве Беларусі робяцца адной.” *Будзьма беларусамі!* 3 Jan. 2018. Web 2 Apr. <<http://budzma.by/news/viktar-marcinovich-dzvye-byelarusi-robyacca-adnoy.html>>.

SPORTS: TRANSITION PERIOD

Borys Tasman

Summary

From the failures of Belarusian athletes at the Olympic Games in Rio de Janeiro a number of conclusions were made: 1) the state, which has provided leadership and funding of the sports sector, strengthened the control of public organizations – federations of sports; 2) internal doping control became more intense. The degradation processes continued in most kinds of sports: fewer medals were won at the World Championships in Olympic disciplines than ever in the sovereign history of Belarus. The results of the national teams of football, hockey and athletics, the most popular sports, are disappointing. At the same time, successful performances continued in traditionally strong areas where national sports schools remained – women's tennis and wrestling, kayaking and canoeing, trampolining.

Trends:

- Staff turnover in the sports federations;
- Narrowing of the range of 'medal' sports;
- Failures in the most popular sports – football, hockey, athletics;
- Low level of competence of sports leaders.

Staff turnover

Dissatisfied with the results of the Olympic Games in Rio, Alexander Lukashenko announced in his April Address to the People and Parliament: 'In the near future, we will completely reform the federations'.¹

First, he made a reshuffle in the National Olympic Committee (NOC), which he has headed since 1997. The post of the first Vice-President of NOC taken by Maxim Ryzhenkov was given to Andrey Astashevich², 45, who had worked for 13 years as the General Director of the Olympic sports complex *Raubičy*. Astashevich was instructed to update the federations

¹ «Лукашенко: В ближайшее время реформируем все спортивные федерации.» *БелаПАН*. 21 Apr. 2017. Web. 14 Mar. 2018. <<http://belapan.com/archive/2017/04/21/899978/>>.

² For two decades he is Lukashenko's hockey team member.

with authoritative people from sports, which in fact means a 20-year-old practice of appointing high-ranking amateurs to the governing sports seats have failed.

Supervisory boards have been established under the federations. For example, the board in the biathlon federation was headed by its former chief, KGB Chairman Valery Vakulchik. In fact, over the new heads of federations 'controllers' were appointed. Maybe the change of officials to former athletes was called to reduce the costs of the industry: earlier functionaries from power, using administrative resources, attracted extra budgetary funds.

However, the logic of some personnel reshuffles is difficult to understand. For example, the swimming federation was headed by Ella Selitskaya, the former swimmer, master of sports, but at the same time the Deputy Minister of Taxes and Duties instead of the former Deputy Prime Minister Anatoly Tozik. Is the practice of combining posts used again?

It is difficult to explain the rotation in tennis. The head of the concern 'Amkodor' Alexander Shakutin for several years of his leadership of the federation managed to set up the National tennis Academy, launched a large-scale construction of the tennis centers, generously funded the preparation of national teams. As a result, the women's team sensationally reached the final of the World Cup. However Shakutin was replaced by Sergey Teterin at the tennis throne.

Another headline reshuffle was the appointment of the former Governor of Hrodna and Minsk Semyon Shapiro instead of Igor Rachkovsky as the head of the hockey community. The border guard General did not ensure the solution of sports problems: the national team did not make it to the Olympic Games in Pyeongchang and played without success at the World Cup.

Reporting and election conferences were held without alternatives and smoothly. Only fencers faced an emergency situation. In the election of the Chairman of the federation, in addition to Alexei Ovsyankin agreed by the higher authorities, the delegates suggested Andrey Gubanov, who won the most votes. All congratulated the winner and the delegates returned to the regions. At the local levels authorities 'raised awareness' of those who voted 'wrongly', and the Chairman of the audit

Committee Viktor Rudakov declared the conference null and void. After three days a new forum was organized, there were almost twice fewer participants: 17 instead of 30. In spite of A. Gubanov's absence, a new non-alternative election was held. And A. Ovsyankin became the Chairman.

The repeated conference took place with serious violations, but the auditor didn't notice them. Six months later, the Ministry of Justice demanded the third conference to observe the formalities prescribed in the law. Nevertheless the state official Alexander Baraulya who carried out the control of elections of a 'correct' candidate became the Deputy Minister of Sport and Tourism. At the winter Olympics in Pyeongchang, he served as chief of the Olympic mission of the Belarusian team.

Heads of football federations (Sergey Rumas), handball (Vladimir Konoplev), basketball (Maxim Ryzhenkov), athletics (Vadim Devyatovsky), boxing (Dmitry Tikhomolov) kept their positions.

Shallowing

During the year at the World Championships in Olympic categories Belarusian athletes won only eight medals. There have been no such modest achievements in sovereign history. Because different kinds of sport have World Championships with different periodicity, for the purposes of comparison, we take the statistics of odd-numbered years. It demonstrates and almost fourfold reduction of the medals won: from 28 in 2003 to eight in 2017.

Belarusians at World Championships 2003–2017

	G	S	B	Total
2003	5	9	14	28
2005	4	4	9	17
2007	6	6	3	15
2009	4	4	4	12
2011	4	7	7	18
2013	2	2	5	9
2015	5	1	7	13
2017	3	2	3	8

What kinds of sport experienced retreat? Take for reference prosperous 2011, when our athletes rose to the world podium 18 times. Then the winners represented 12 kinds of sports. Now rowing, boxing, track cycling, light and heavy athletics, fencing, freestyle disappeared from that register. The winners of 2017 represent only five kinds of sports.

There is a bronze swimmer by the name of Alexandra Gerasimenya, but she won her medal at the non-Olympic distance of 50 m backstroke. There are the finals of the tennis Federation Cup, but the Olympics do not have team competition. The loss of weightlifters is the easiest to explain: the Federation was punished with one year absence from international competition for multiple disqualifications at the Olympic Games of 2008, 2012 and World Cup of 2013, 2015. As a result, Belarusian weightlifters missed the world championship.

In the richest for medals Olympic kind of sport (47 sets of medals) – athletics – managerial irresponsibility and doping inertia flourish, the coaching staff has grown very old and experienced staff shortages. As a result at the world championship in London, the Belarusian team was represented by 16 athletes only. About the same number of candidates did not meet the standards or were injured. The best results (6th place) were demonstrated by track and field athlete Alina Talay and javeline thrower Tatyana Kholodovich.

The topic of doping is also relevant for cyclists. Rhythmic gymnasts who for two decades have made the audience used to elite brilliance receded. The positions are lost in the academic rowing, where for many years a blissful picture has been created by Ekaterina Karsten and Julia Bichik. Combat sports – boxing, judo, Taekwondo were also struck. Vladimir Samsonov and Victoria Pavlovich turned 40 and are no longer able to close the gap in the preparation of the reserve team of table tennis. The football team took the last place in the group qualifying tournament of the World Cup, skipping forward not only the famous teams of France, Sweden and the Netherlands, but also colleagues from Bulgaria and Luxembourg.

Many sports have not been marked by medals for years. No breakthroughs for skaters, short-track athletes, figure skaters, artistic gymnasts, swim-synchronized swimmers, horseback

riders, Musketeers, badminton players, yachtsmen... For the maintenance of about fifty national teams the Ministry of Sport allegedly spends millions in hard-currency terms.

Another visible reason for the decrease of the number of medals is the tightening of doping control at all levels. The ex-Minister of Sports and Tourism Alexander Shamko in a television interview said: 'If in 2012–2013 there were more than 30 cases where athletes were caught on doping, today there are isolated cases. Three cases this year are not related to abuses, but to certain violations of the rules'.

Victory in Lausanne

Perhaps the most important for its image is that Belarusian sports do not win victories at the sports arenas. Court of Arbitration for Sport (CAS) in Lausanne fully justified the men's team of kayakers and canoeists, suspended for a year from competition by the International Federation of the Sport (ICF) on unsubstantiated charges of the use of illegal drugs. Alas, the Olympics cannot be returned to the athletes, but the good name is more important than Olympic titles. Unfortunately, a disservice to paddlers who have never committed any sins was done by athletes, bodybuilders, cyclists, athletes, sport-lifeguards, whose mass disqualification created an ill name for the Belarusian sport.

According to the results of re-testing of frozen Olympic samples, Belarusians had to return 9 Olympic medals of the 2004–2012 Summer Olympics. For this reason, the Belarusian weightlifting federation was disqualified for a year and the international athletics federation issued a warning to the Belarusian athletics federation.

In the step from the top

The most resonant success was achieved by the women's tennis team which for the first time reached the final of the world team championship – the Federation Cup. A dramatic confrontation with the USA team unfolded at the Čyžoŭka-Arena in front of 8 thousand spectators and David Haggerty, the ITF President, who arrived in Minsk for a reason. Alexandra Sasnovich and

Arina Sobolenko competed with the winner of the U.S. Open, Sloane Stephens and Coco Vandeweghe, a tenth-ranked. Despite the fact that the Belarusian girls were significantly inferior to the guests in the ranking, after single meetings the score was equal – 2:2. And only in the battle of duets the skilled Americans won – 6:3, 7:6 (7:3), and with it they won the Cup.

The rise of the Belarusians is not accidental. Back in 2011, the Belarusian team won 5 consecutive victories: rivals from Austria, Croatia, Greece, Poland and Estonia were beaten with a total score of 16:0. Victories in single matches were secured by Victoria Azarenka and Olga Govortsova, in pairs – by Tatiana Poutchek and Darya Kustova. But the next season, to the match with Americans that opened the way to the World group-1, only Kustova and Anastasiya Yakimova flew, who did not have a chance against Serena and Venus Williams – 0:5.

The new struggle began in 2015, when the BFT was headed by Alexander Shakutin. He immediately set the task to fight for the Federation Cup. Experienced Azarenka and Govortsova together with young Alexandra Sasnovich and Vera Lapko won the European final, beating rivals from Georgia and Bulgaria – 3:0, Portugal 2:1 and UK – 2:0. In Tokyo, the Belarusians won from the Japanese – 3:2. In 2016, in Canada Sasnovich and Govortsova defeated the hosts of the court – 3:2. Azarenka returned to the team to have the match with Russia and won both singles matches, the winning score was added by Sasnovich – 3:2. Seven victories in a row, won on away courts, opened the doors to the 8th of the strongest teams of the world.

In 2017, tennis players played at home only, with no Azarenka who gave birth to a son. In the quarterfinals with the Netherlands (4:1) and the semi-finals with Switzerland (3:2) Alexandra Sasnovich shone, defeating highly ranked opponents, Kiki Bertens and Timea Bacsinszky. The appearance of the non-star Belarusian team in the final was recognized as sensational.

It was the time when the BTF leader was changed: Shakutin gave his post to Sergey Teterin, a former tennis player who became friends with A. Lukashenko in the mid-1990s and taught the President to play tennis. When he switched to hockey, Teterin also started skating. Most likely, long-term contacts with the President were not in vain. Teterin skillfully pushed Shakutin

away from the tennis ‘throne’. But the luck turned against the new leader: women’s and men’s teams failed in the play-offs.

Playground for sports

The country’s leadership seeks to acquire the right to have high-profile sports competitions. Apparently, this is necessary for promoting the image of Belarus, strengthening its sovereignty and for development of tourism. In 2016, Minsk was chosen as the capital of the Second European Sport Games in 2019. And in November 2017, the President of the European Athletic Association (EAA) Svein Arne Hansen announced in Minsk that on 10–11 September 2019 the athletics match between Europe and the United States will be hosted in the Dynamo stadium. This stadium has been under construction since 2012 and is expected to open in 2018.

Together with Latvia, Belarus got another large-scale forum, the World Hockey Championship—2021. A neighborhood tandem was one vote ahead of Finland in the two-stage voting. In 2014 Minsk held this tournament on its own.

It is noticeable that all top tournaments are held and planned exclusively in the capital. Minsk is not too rich in modern sports facilities, apparently, that is why the program of the II European Games contains only 15 kinds of sport. Among the regional centers, Brest and Hrodna are well-equipped. But their transport and hotel infrastructure do not meet the requirements of international sports federations.

Conclusion

Belarusian sports have entered a transitional period. The doping era is not over yet, but doping control has become more serious, as a result of tightened home doping control. The Minsk anti-doping laboratory lacks international accreditation, but its equipment allows checking national teams with a high degree of reliability before sending them to World and European Championships. Out-of-competition control is also carried out, including at the request of international sports federations.

The number of disqualifications has dropped sharply, but non-doping technologies for training champions have not been mastered, and coaches working on the basis of illicit drugs continue to be unpunished and take leadership positions in some key kinds of sport. This is facilitated by the fact that Belarus has not yet adopted a law on criminal liability of sports personnel for doping interference with athletes. Therefore, the game of 'hide and seek' continues. Anabolic steroids give way to the growth hormone, which is excreted from the body in a short time.

On the one hand, the inability to ignore doping control probably became one of the main reasons for the fall of the results of Belarusian athletes. On the other hand, coaching staff are mostly professionals who were born and began to work in the USSR. Veterans don't know the modern technologies of training and because of their age do not readily accept innovations. And it is economically and psychologically unprofitable to work without results. To solve this problem, time and a complete restructuring of the training of coaches are needed.

The European Games 2019 in Minsk are close at hand where the hosts will try to save face. One might assume that in the strategic plans of the leadership of the country the EG 2019 have a much higher priority than the Tokyo Olympics 2020. Investments will possibly be made in the forced training of young athletes without a doping past. In addition, funding of the sports included in the program of the Minsk Games will be strengthened. Another direction is team sports and games. Special attention will be paid to hockey.

VALUE SHIFT AND GOING THROUGH THE FULL CYCLE

Andrei Vardomatski

Summary

The year 2017 was a period of the most serious social shake-up after 2010. The events that took place in March—mass protests and the following crackdown—reflected a significant shift in the mass consciousness, the scale of which allows calling it a value shift. The reasons were of a natural inner nature. It was an outburst of the nation's grievous economic self-perception and a hurt sense of justice. However, radical changes did not happen, and, by the end of the year, all main indicators were back within the range of typical markers.

Trends:

- The economic self-perception of the nation (with a negative extreme in February) and geopolitical orientations turned minor cycles with a small amplitude;
- Protest sentiments in February showed the highest values and then returned to the previous indicators;
- The attitude to the annexation of the Crimea by Russia as a general indicator of the perception of a military threat remained at the same level with a certain fluctuation during the September army exercise.

Economic self-perception of the nation. Pre-protest winter peak and subsequent stabilization

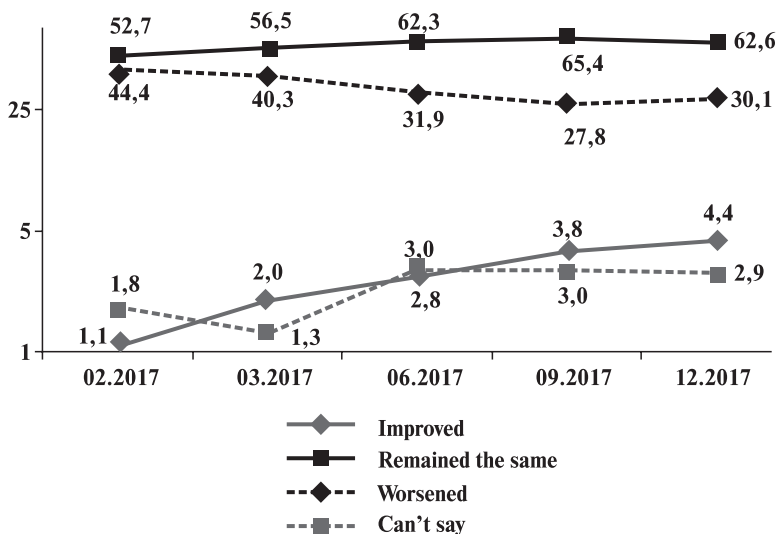
The peak of the negative economic self-perception of the nation fell on the period before March 2017¹ and was followed by a certain stabilization. The lower extreme seen before the mass protests of late February–March passed, and the return of a

¹ This article is based on findings of 2017 nationwide surveys by the Belarusian Analytical Workshop. Particular attention is paid to the results of the regular pre-New Year study of 2017—the nationwide representative survey with the following parameters:

- sample size: 1,063 respondents;
- period: December 14–27, 2017;
- age of respondents: 18 and over;
- survey method: face-to-face at the place of residence;
- coverage: all 6 regions and Minsk city; all types of settlements, including urban and rural.

similarly low perception did not recur. Since September, changes were in the zone of temporary fluctuations without forming a general trend. The number of those who said that the economic situation in households has deteriorated only increased 2.3% from September to December.

Diagram 1. How, in your opinion, has the economic situation of your family changed in the past year?



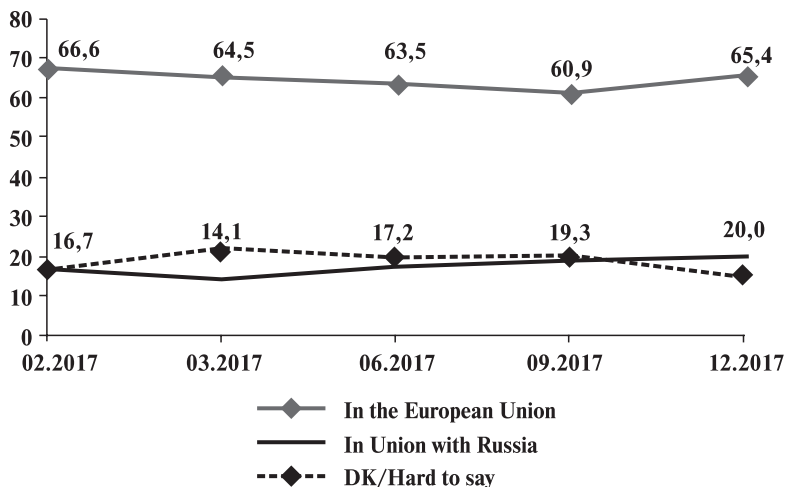
Geopolitical orientations: mini-cycle without significant changes

Geopolitical orientations during 2017 passed a small, not strongly pronounced circle. There was a fall of pro-Russian sentiments during the first half of the year, including September, and then they went up a little. At the same time, there was a certain increase in pro-European sentiment from 14.1% to 20%.

The September and pre-September fall can be explained by the army exercise West-2017 and the media campaign that accompanied it. The media coverage of the exercise caused a suspicion towards Russia in popular consciousness. It was manifested in (1) a certain decrease in pro-Russian integration

aspirations and (2) a precipitate decline of support for the annexation of the Crimea by 10%.

Diagram 2. In your opinion, in which union of states would it be better for the people of Belarus to live: in the European Union or in a union with Russia?

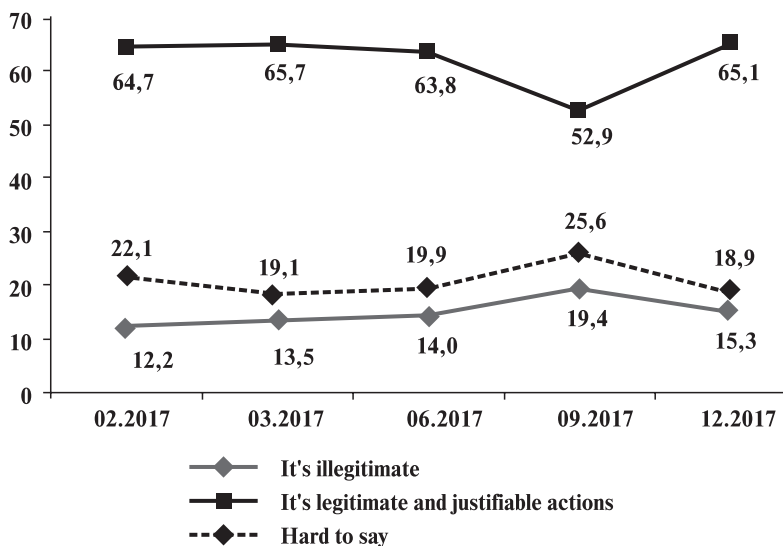


The annual dynamics of the Belarusians' attitude to the annexation of the Crimea was as follows: against the backdrop of fairly stable corridors of positive and negative values, a sharp surge occurred in September (Diagram 6). It demonstrates a very interesting phenomenon of mass consciousness both from a theoretical and a practical point of view. This is a phenomenon of independent reflection of public opinion, when it changes without express reference, but only through heating up of the topic in the media.

During the year, a little over 60% of Belarusians positively assessed Russia's actions ('legitimate and justifiable'), and 12% to 14% responded otherwise ('illegitimate'). Both these corridors were relatively constant until September, when there was a 10-percent fall. This can be explained by the impact of the media coverage of the military exercise West-2017. Once it was over, it all returned to its former values.

This strong support for the annexation of the Crimea is a cumulative effect, which combines the influence of the Russian media and some deep-rooted values like the perception of the Crimea as a time-honored Russian land where many generations of Russian soldiers shed blood, and Sevastopol as a Russian city of naval glory.

Diagram 3. What is your opinion on the accession of the Crimea to Russia?



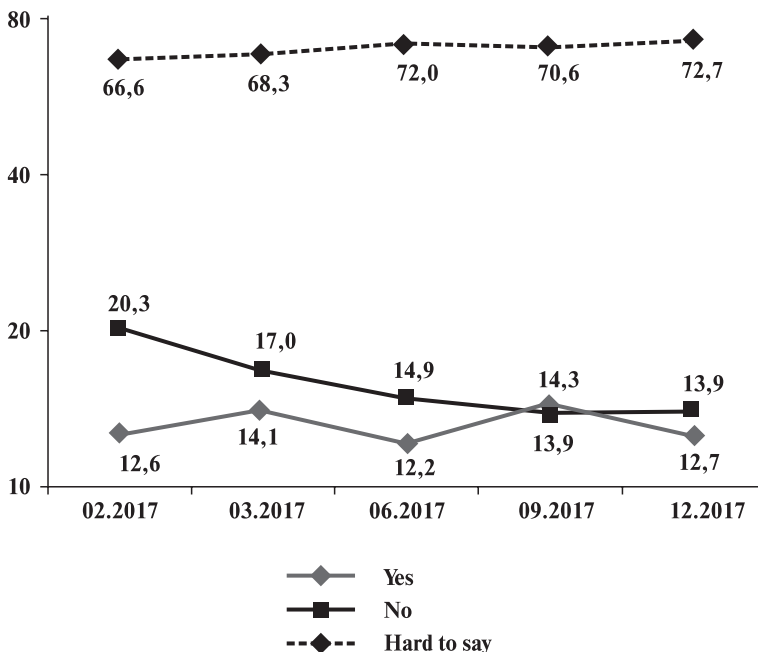
In general, all changes in geopolitical orientations (except the September surge of the attitude toward the annexation of the Crimea) are small-scale and fluctuational. Similar kinds and scales of fluctuations have been observed many times, and do not indicate a pronounced trend.

Geopolitical romanticism persists

According to the New Year poll (Diagram 7), 12.7% of respondents believed that Russia can apply the 'Crimean scenario' in relation to Belarus, while 72.4% said this is not possible. This means that almost three-quarters of Belarusians believe that the

annexation of a part of Belarus or its entire territory by Russia is impossible. The all-year dynamics is shown in Diagram 4.

Diagram 4. Do you think that similar actions by Russia in relation to Belarus are possible (i.e. is it possible to annex a part of Belarus' territory or the whole country)?



Main event of the year²

Belarusians called the protest actions caused by decree No.3, which affected a large number of people, who basically constitute Lukashenko's key electorate, the main event of 2017. In this situation, Belarusian independent media outlets and social media also made an impact. The barring of the Russian national team from the Winter Olympics in Pyeongchang was called the second most important event. The death of Private Korzhych was the third. Belarusian independent media managed to make

² The respondents were to choose one from the offered list.

a high-profile case of it, although the political establishment made every effort to conceal or ignore the incident. The profile of the White Legion case was not that high.

Belarusians thus did not care much about global events, such as the independence movement in Catalonia and Brexit.

Diagram 5. What political, sporting, cultural or other event of the year do you consider the most significant?



Less happiness, more luck

This is the most paradoxical result of the New Year poll, which, at the moment, is hard to explain. Compared with previous New Year polls, the number of Belarusians who considered themselves not very happy grew by 7.3% from 35.4% to 42.7%. This can easily be explained by the general deterioration of the economy, effects of decree No.3 on 'social parasites', social protests, etc. Against this background, the general 6.5% increase in the number of those who believed that the year 2017 was successful for them personally from 43.6% to 50.1% is mysterious.

Conclusion

The economic self-perception (with a negative extreme in February) went through the annual cycle with minor fluctuations. Society is yet to assess the steps taken by the government towards liberalization of the economy. Further measurements will show whether there will be a transition to winter-spring cycle deterioration of the economic self-perception.

Geopolitical orientations also changed insignificantly, and it is still difficult to predict how they will change in 2018.

RESEARCH AND ANALYSIS CENTERS: NARROWING THE FIELD

Natalia Ryabova

Summary

The forecasts for 2017, made in the precious review¹, generally proved correct. The financial situation of most research centers has deteriorated or remained the same, new centers have not appeared. Mediatized initiatives and stable large research centers capable of raising funds effectively have been developed. Interaction with stakeholders in general remained at the same level. The forecast of a targeted increase in influence on decision-making, especially in the economic sphere, was also justified. It took place in the form of public consultations and in the work of advisory councils, and informal consultations. However, it should be noted that the advocacy 'breakthrough of the year' – decree No. 8 on Hi-Tech Park – was made not by research centers, but by the IT community with the support of law firms.

Trends:

- Concentration of resources in hands of a few powerful players, the weakening of the others;
- Decrease in the total number of published papers;
- Some expansion of cooperation with the state;
- Transition of sociological research towards the Internet.

Key players and research in 2017

s a result of the decline in the activities of the main donor, who had previously seriously supported the research sector – Pact – the financial situation of many research centers deteriorated, which affected the number of studies and activities in 2017. For the same reason, unlike several previous years, there was no Belarusian rating of research organizations. Many periodicals and publications have ceased to be published and some events did not take place.

The Belarusian Economic Research and Outreach Center (BEROC) is one of the few organizations that expanded its

¹ Ryabova Natalia. "Research and Analytical Centers." *Belarusian Yearbook 2017*. Vilnius: Lohvina : 2017. 203–215. Print.

activities and size in 2017. This is due to the fact that the center has a rare for the sector support, namely, institutional. Last year, the center traditionally produced a lot of economic analytics (the main topics were macroeconomics, trust and institutions, women's entrepreneurship, investments, monetary policy, budgetary redistribution, the consequences of the abolition of the General system of preferences, the fight against corruption, etc.), quarterly economic reviews. Many of the materials are available in English only. The center participated in international studies, releasing analyses of little-known problems in Belarus (for example, the study *Integration of Markets and the Law of One Price in Ghana*). A humorous study on the impact of bicycles on the country's economy was released on 1 April, the fool's day².

In August BEROС held the *Seventh International Conference on Economics and Finance*. Also the center was educationally active: there is a postgraduate school, a student school, educational programs for state bodies and open lectures.

The Belarusian Institute for Strategic Studies (BISS) completed the project *Reform*, which created an array of proposals to improve the 'rules of the game' in various areas. In 2017 in its framework the research about the activities of Hi-tech Park (HTP), the product "BISS monitoring of reforms" (only the first issue was released) and the final collection of materials created by the project came out. Several events dedicated to the memory of BISS founder Vitaly Silitsky were held. With the arrival of a new academic Director Pyotr Rudkovsky, the Institute has shifted its focus on the problems of identity: a study on soft Belarusization came out; in Warsaw the book 'Belarusian Issues in the Context of European Responses' was published. In general, BISS significantly reduced its activities and media presence, the periodicals of the Institute did not come out in 2017.

The expert community 'Nashe Mneniye' published in 2017 about 250 (as a year earlier) analytical materials on a variety of topics – political processes, public administration, international relations, economy, social, cultural and other policies. Under

² Борнукова, Катерина. «Велосипеды и их влияние на экономику Беларуси.» *BEROC*. 1 Apr. 2017. Web 12 Mar. 2018. <http://www.beroc.by/publications/policy_papers/pp_0104217/>.

the auspices of the website, *Belarusian Yearbook*³ dedicated to the results of 2016 was released.

The Research Center of the Institute of Privatization and Management in 2017 published working materials and analytical notes on various areas in the field of economy: recession, international trade, export, international convergence, reforms, conditions for small and medium-sized businesses, government programs, social policy, poverty, analysis of the activities of business unions in Belarus and the effectiveness of the National Business Platform of Belarus.

In 2017, the Ostrogorski Center focused on the field of education: research on business education, distance education and the Belarusian way to the European higher education area, as well as analytics in the framework of the *Ostro!* project, an overview of key events in *Belarus Digest* in English and Russian, the issue of the Journal of Belarusian Studies was published. The center launched a new educational project – Ostrogorski Academy⁴, where one can take four distance courses.

CASE Belarus (member of the CASE research network) published an overview of the situation of disabled children and young disabled people in Belarus, an overview of the situation of orphans and families at risk, an analysis of the situation of people aged 50+ in Belarus, a report on the role of labor in the penitentiary system of Belarus, preliminary findings of the study on the size and liquidity of the Belarusian stock market (all in English).

Research center BIPART continued to produce research in the field of public administration: improvement of the system of public procurement (and also released a manual on the violations in this area), e-citizen participation, social policy, scientific policy. It published materials on decision-making in the interests of citizens, conducted public lectures and educational programs. The conference on public administration did not take place.

The Center for European Studies continued its educational program of Liberal Arts College ECLAB (one concentration

³ “Belarusian Yearbook 2017.” *Nashe Mneniye*. Web 12 Mar. 2018. <<http://nmbny.eu/yearbook/2017/en/index.html>>.

⁴ *Академия Острогорского*. Web 12 Mar. 2018. <<http://ostrogorski.academy/>>.

was deleted), and also conducted educational visits for graduates and teachers.

Belarus Security Blog has created a draft of a new version of the law of Belarus *On weapons*, issued monthly reviews of economic and national security of Belarus, Eurasian security digest, reviews ‘the Price of the Issue’, analytics materials. Only one issue of the magazine ‘VARTA’ was published.

The Center for Analytical Initiatives at the discussion and analytical community ‘Liberal Club’ released the research on sponsorship and CSR and the tools of interaction between state and business, held round tables and discussions. The issues of international relations and security were discussed in the framework of conferences and briefings held by the expert initiative *Minsk Dialogue*⁵, which it seems, has finally become an independent project. The initiative produces independent analytical notes and reports, which are compiled into three programs: ‘Belarus Foreign policy’, ‘Eastern Europe in the System of International Relations’ and ‘Integration of Integrations’.

The Center for European Transformation (part of the international consortium ‘EuroBelarus’) released an analysis of the situation of civil society in Belarus, research on local planning to ensure the rights of people with disabilities, strategic cooperation of human rights organizations, the social base of transformation programs.

The Center for Strategic and Foreign Policy studies published one open report on the Russian threat and an extract from another (closed) report on a similar topic but in the Ukrainian context, making it clear that the full report would not be published. It can be said that the CSFP is the only analytical center that openly invites potential customers to apply for materials ‘on the development of the economic and political situation in the countries of the post – Soviet space, as well as the international situation around the region’.

The Institute for Political Studies ‘Political Sphere’ held a conference ‘Evolution or Deviation: the problem of democratic order in Eastern Europe’ and the 7th Inter-

⁵ *Минский диалог*. Web 12 Mar. 2018. <<http://minskdialogue.by/>>.

national Congress of Researchers of Belarus, which was held in Warsaw this time, then the organizers announced their intention to move it to Minsk. Journals 'Political Sphere' and 'Belarusian Political Science Review' were not published.

Research center 'Strategy' and Mises Center worked over the evaluation of the performance of the National Platform of Business of previous years and over the development of a new platform, conducted a summer school for experts and actively wrote analytical materials.

The Bologna Public Committee together with the Ad hoc Commission of the Belarusian National Platform of the Eastern Partnership Civil Society Forum released a review of the compliance of the draft Education Code with the Roadmap of Higher Education Reform in Belarus and the final monitoring of the implementation of this Roadmap.

The state research sector, as before, served decision-making within the state apparatus and placed few materials online.

The strengthening of the voice of independent research centers with the Pro-government position (platform 'Imhoclub' project 'Citadel') noted during the last year stopped after the REGNUM case: the authorities made it clear that the Eurasian rhetoric should not go into denial on the independence and statehood of Belarus.

An important trend was that independent sociology, given the difficult conditions of work 'in the field', went online. Thus, Baltic Internet Policy Initiative works actively, conducting measurements, surveys and other quantitative studies of the Internet audience in cooperation with or at the request of various organizations. Given the good level of Internet penetration in Belarus, results assessed by certain characteristics can provide information comparable in validity to surveys on the national sample.

Resources with an emphasis on media input (such as ideaby.org, RFRM), the appearance of which marked the previous year, do not make 'heavy' research, but still actively develop.

It is interesting to note the review of the analytical centers of Belarus by M. Laumulin, which is published on the website of the

international scientific complex *Astana*⁶. It provides a classification of the state analytical centers (specialized departmental research institutes in the structure of the Council of Ministers, the structure of academic and educational institutions, institutions created in the Presidential Administration). It is noted that state structures cope well with economy, sociology, demography, etc., but they lack the same competence in international relations: ‘Analytical support of foreign policy of the Republic of Belarus is concentrated only on the faculty of international relations of the BSU. Therefore, the Belarusian leadership supports some non-state centers of foreign policy’. It is also pointed out that ‘budget structures differ from non-state analytical centers and focus on cooperation with Russian organizations, as well as the study of integration processes in the post-Soviet space’.

The review does not classify non-governmental analytical centers but in general it marks their better representation in the media. It particularly points out that ‘in the non-state sector about two thirds of the Actual Concept are focused on Western values, liberal-market model of economy, and the Europeanization of Belarus is seen as their goal. Many are closely connected with EU structures’.

The review also refers to the existence of ‘centers-mirages’, to which refers the ‘Actual Concept’ and the Center of Problems of European Integration.

Impact on policy making and stakeholder relationships

The State

In 2017, a number of events organized by independent research centers were held, in which high-ranking officials took part. For example, the traditional Kastychnitski Economic Forum (KEF) and events in the framework of the Minsk Dialogue.

However, such events are fewer, and new ones have not appeared. The conference on public administration did not take place, ‘Expanding horizons’ turned into the Belarusian invest-

⁶ Лаумилин, Мурат. «Аналитические центры Беларуси.» *Международный научный комплекс «Астана»*. Web 12 Mar. 2018. <<http://isca.kz/ru/analytics-ru/2230>>.

ment Forum organized by The National Agency for Investment and Privatization with the support of the Ministry of Economy of Belarus – without the participation of non-state partners.

KEF, held in November 2017, has been organized annually since 2013 by the IPM Research Center in cooperation with BEROCC and the Center for social and economic research CASE Belarus (funded by the European Union). The conference was opened by Vasyl Matyushevsky, first Deputy Prime Minister, Andrea Victorin, the head of the EU delegation in Belarus, Dr Satu Kahkonen, World Bank Country Director for Belarus, Moldova and Ukraine, and Dr Athanasios Arvanitis, Deputy Director of the IMF European Department.

In addition to the KEF, in May–June 2017, five regional centers of Belarus hosted local conferences ‘Return to growth: search for solutions for regional development’.

Analytical centers are also involved in the public discussions that expanded in 2017.

It is still impossible to talk about full-fledged cooperation, but, first, there is a certain tradition of holding events where the state and non-state sectors exchange views relatively freely and second, now there is a regional component in this process, involving local authorities.

Civil society organization

A number of civil society organizations produce or order research and analytical products from time to time. However, due to the fact that in general the third sector fights hard for survival, this ‘market’ remains very narrow.

Media

The media continue to refer to the independent center for review and analysis. Among the joint projects are the cooperation of the Press club with various organizations, in particular with the project ‘Nashe Mneniye’. Many experts write blogs and columns for the media. However, as in the case of civil society organizations, media are an important partner for the research centers, but not a client ordering and paying for analytical services.

Political parties and movements

At the end of 2017, political parties and movements were actively involved in the campaign for local Council elections (February 2018), but since the candidate programs for these elections do not require serious in-depth proposals at the country level, the appeal for assistance in the preparation of the program was limited. Such interaction continues to be free of charge, thanks more to friendships than to sustained interaction. Thus, there are customers but they experience problems and cannot show a serious demand for the results of research centers.

Conclusion

In 2018, the financial situation of most research centers will remain tense. Opportunities are available either to confident 'niche' players, or consortia or strong independent players (which are very few), able to attract finance from the major donors for big projects and institutional support.

With the trend of liberalization, the increase of the impact of analytical centers on decision-making processes and deepening of trust and interaction with those government agencies that come into contact are likely.

ECONOMY

MACROECONOMIC SITUATION: RECOVERY GROWTH UNDER THE BURDEN OF UNRESOLVED STRUCTURAL PROBLEMS

Dmitry Kruk

Summary

In 2017, a long period of adaptation to the new institutional environment in the national economy was over, and recovery growth began. The improved external situation helped to achieve this growth, together with price and external stabilization. Inflation indicators and the net external financial position were the best in Belarus' history. This allowed the government to loosen economic policy screws, and domestic demand went up. However, recovery growth was very unstable due to certain structural constraints. The progress in institutional reforms seen in the previous two years came to a standstill.

Trends:

- After a long structural setback, the economy switched to the recovery growth mode; inflation hit a historic low;
- The improving external environment contributed to an increase in output and the comfortable current account of balance of payments;
- The government put the search for solutions to old structural problems 'on hold' and started creating a 'new economy';
- Most growth factors remained unstable.

Introduction

In 2017, the national economy entered a phase of uncertainty. On the one hand, at the end of 2016, there were indistinct signals that the recession had come to an end, and recovery growth began, supported by the government by stimulating domestic demand. In early 2017, a directive was voiced again to achieve an average wage of USD 500 (1,000 Belarusian rubles) by the end of the year, which means that wage and output growth was categorically prioritized over price and financial stability focused on in 2015–2016.

On the other hand, prerequisites for economic expansion in early 2016 were flimsy. First, it was unclear whether the previous contraction of the economy was sufficient to compensate for the

accumulated structural imbalances. Most companies remained weak financially, and a number of the most distressed enterprises (mainly state-owned) fought just to stay afloat. Smaller-scale companies sought to cut spending and optimize their composition. Second, economic growth was impeded by the banks' reluctance to take risks, limited loan offer due to the considerable amount of troubled loans (around 13% as of early 2017) and the weakness of enterprises. In early 2017, huge troubled loans could lead to insolvency of any of the banks and cause a new wave of financial instability. Third, the external situation still remained unfavorable for the national economy.

The search for solutions to old structural problems is put on hold

The economic authorities continued efforts started a year before towards slow and progressive mitigation of structural problems. Measures were taken to institutionally transform the national credit and financial system. In particular, a financial market development strategy was adopted; a number of elements of Basel III agreements were introduced into the national prudential regulation of banking operations; a series of measures were carried out to de-dollarize the national economy, and a gradual transition (2018–2020) of monetary policy towards targeting of inflation was initiated.

However, as before, structural changes were constrained by an unofficial taboo on systemic measures against inefficient large state-controlled enterprises, which mainly caused structural weakness of the economy. The measures taken were one-legged and only affected secondary structural problems.

Bad debts/loans topped the list of the structural problems in 2017. Like many others, it was a derivative of low efficiency in the real sector of the economy. The government tried to find a compromise solution, which, on the one hand, would eliminate fears about the financial standing of banks, and, on the other hand, would not cause shocks to enterprises.

To this end, the government focused on preventing new bad loans and continued to curb new directed loans. In 2017, the limit on directed lending was reduced by nearly one-third against

2016 to BYN 1.9 billion, or around 2% of GDP (BYN 2.8 billion and 3.1%, respectively, a year back). However, the decrease in new loans only led to a slight decrease in the proportion of directed loans to 40%.

These measures did not resolve the problem of accumulated bad debts. For example, in 2017, a pilot project on the resolution of debt problems of 323 agricultural enterprises started as far back as 2016 entered a smoldering phase. Many of the enterprises were given additional concessions, but only 10% of them were able to restore their solvency. Despite this, the state was in no haste to shut down most of the distressed enterprises on this list.

Having failed to find ‘good’ solutions to key structural problems, the economic authorities de facto put this task on hold. The improved market situation enabled many enterprises to recover. Soured debts stopped growing, and some of the problem debtors got an opportunity to start servicing current debts. Although many bad debtors still have little chance to restore their solvency and pay off their debts, and servicing of the current debts becomes some sort of ‘credit shackles’, the bad debts problem was no longer that great and acute. The authorities took a breathing spell. In the second half of the year, an interdepartmental ad hoc group was formed to ‘work out a comprehensive approach to solving this problem until the end of 2018’.

The official refusal to further negotiate a new credit program with the IMF in July showed that structural changes had been postponed. The negotiations lasted almost two years, being perceived as an important baseline component of structural transformations in the economy.

Government undertakes to create a ‘new economy’

Since a solution to key structural problems was not found, the economic authorities shifted the emphasis on creating a ‘new economy’, getting back to the old idea of the coexistence of two economic realities. The ‘traditional economy’ is to primarily ensure employment, pump up the budget, and solve other socio-political tasks. The ‘new economy’ is supposed to step up economic growth. Each of them follows its own path to deve-

lopment. It is assumed that a gradual flow of resources from the old economy into the new one will ignite steady growth of the national economy as a whole without threats to socio-political stability.

With a view to create the new economy, the country's leadership issued a package of legal acts on fostering private businesses and a decree on digital economy development. Measures were taken to facilitate starting and doing business and the number of regulatory and administrative barriers was drastically reduced to encourage the private sector. Also, additional tax and administrative remissions were introduced with respect to some operations, often conducted by small companies and individual entrepreneurs. The economic authorities expanded opportunities for self-employment of individuals (without registration as small business entities), for example, in the areas of handicraft trades and agro-ecotourism.

The government went even further with the digital economy. The decree issued in late 2017¹ created a legal framework for issuing and circulating cryptocurrencies and tokens in Belarus through the residents of the High-Tech Park and holding the ICO. In this respect, Belarus can claim the status of a pioneer on a global scale. The fundamental goal of the decree was to reorient the Belarusian IT sector to production. It is expected that this will significantly increase the added value and raise the technological level. For this purpose, the decree introduced a broad list of privileges, special rights and preferential treatment for HTP residents.

The measures taken to create the new economy can be assessed as positive. Elimination of administrative barriers to business will be an important tool for development of private businesses, especially small ones. Self-employment mechanisms can contribute to stabilization of the labor market, and, in the future, can become an 'integrated shock absorber' in this market. Measures to promote digital technologies are also likely to have a positive impact on the technological level. Moreover,

¹ «Декрет № 8 от 21 декабря 2017 г. “О развитии цифровой экономики”.» *Официальный Интернет-портал Президента РБ*. 21 Dec. 2017. Web. 30 Apr. 2018. <http://president.gov.by/ru/official_documents_ru/view/dekret-8-ot-21-dekabrja-2017-g-17716/>.

development of this sector can generate favorable externalities for the entire economy.

However, these measures will be ineffective, unless key structural imbalances in the national economy are eliminated. For example, the key barrier is not the regulatory environment but the inequality with state-owned enterprises. Therefore, measures to develop private businesses not supported by a refusal to sponsor state enterprises will have a limited effect. The same concerns the decree on digital economy development. The emphasis on sectoral preferences will negatively affect the transparency and competitiveness of the business environment in the entire economy. The price paid in the form of benefits and preferences for HTP residents may be excessive in comparison with outcomes. Besides, excessive attention to cryptocurrencies and tokens can make the Belarusian market a place for shady transactions, and capital flows may be excessively volatile.

The improved external situation gives an impetus to growth

In late 2016, after a long period of deterioration, the terms of trade (export/import price ratio) stabilized, and even began to gradually improve in 2017, following the slow recovery of the Russian market, conclusion of an oil and gas agreement with Russia in April 2017 and, as a side effect, the reception of a USD 300 million tranche from the Eurasian Fund for Stabilization and Development.

Exports in physical terms were increasing throughout 2017 to a historic high and even surpassed the level of 2012. In relative terms (relative to GDP), exports reached a five-year high making up 67% of GDP. However, disregarding seasonal factors, exports of few commodity groups (meat products, fish and ferrous metal pipes) grew, whereas other groups showed alternating spasmodic ups and downs. Imports in physical terms were rapidly growing as well, and this growth was more stable.

Boosted exports have become one of the key factors that triggered recovery growth. Impulses generated by increasing external demand began to spread across the board contributing to an increase in domestic demand. However, some of these

impulses were quenched by growing imports: the contribution of net exports to the output dynamics was only positive in 1Q17.

Foreign trade had a positive impact on nominal indicators. A surplus (in monetary terms) was achieved in trade in goods and services: USD 66 million according to the balance of payments methodology (76.6 million a year before)². Also, the primary income deficit decreased by nearly USD 150 million, and the secondary income surplus went up by USD 450 million. The current account of balance of payments in 2017 (deficit at 1.7% of GDP) showed the best result since 2005.

The financial account of the balance of payments also looked well. First, the government managed to raise around USD 2,4 billion, including 800 million from the EFSD, 700 million from the Russian government, 600 million borrowed for the construction of the nuclear power plant and from Russian banks, and 300 million from Chinese banks.³ Second, the government raised USD 1,4 billion by placing Eurobonds. Although the cost of these borrowings can be called high today (USD 800 million until 2023 at 7.125% per annum and 600 million until 2027 at 7.625%), in the medium term, they will cause a slight decrease in the cost of servicing the public debt, as the yield on earlier Eurobonds was even higher. As a result, in 2017, debt payments by all economic agents were painless, and the country even managed to increase its international reserves (USD 2,0 billion, 3.8% of GDP). This, in turn, made the exchange rate stable: the nominal effective rate only decreased 2.3% year-on-year, and the ruble even grew stronger against the US dollar and the euro. This also appreciably contributed to the domestic financial stability.

The monetary environment has stabilized

By 2017, inflation expectations, which had been exceeding actual inflation since 2011, decreased. Throughout the year, they fluctuated within the range comparable with actual inflation,

² «Внешняя торговля / Годовые данные.» *Национальный статистический комитет РБ*. Web 30 Apr. 2018. <http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-okruzhayushchaya-sreda/vneshnyaya-torgovlya_2/godovye_danne/>.

³ «Государственный долг.» *Министерство финансов Республики Беларусь*. Web. 26 March 2018. <http://minfin.gov.by/ru/public_debt/>.

in many respects thanks to the National Bank's tight monetary policy pursued for two years.

Changes in the monetary environment predetermined new trends in the dynamics of its key indicators. Inflation was steadily declining reaching historic lows at the year-end (4.6% on a cumulative basis and 6.0% on average). Since the National Bank continued to focus on the actual indicators (rather than the forecast), the rapid slowdown in inflation and the reduction in inflation expectations gave it an opportunity to lower interest rates. There were 8 reductions in rates in 2017 to 11% per annum by the end of the year (17% at the start of the year). This led to a transition of the base level of real interest rates to a range of 3% to 5% per annum, which is close to their medium-term equilibrium level.

Milder monetary policies were also manifested in the resumption of growth of the money base and monetary aggregates (they virtually did not increase during the two previous years). Saturation of the economy with additional liquidity and lower interest rates directly influenced business performance and the population's behavior. Households began to save less and borrow more. Demand for loans led to a real boom in this segment of the lending market. Similar trends (yet on a smaller scale, as many companies already suffer from a severe debt burden, and their investment optimism is not so great) occurred in the corporate lending segment, where lending began to warm up closer to the year end.

Against the backdrop of the monetary environment stabilization, these trends on the credit and deposit market promoted an increase in consumer and investment demand (the latter meant the end of a long period of investment depression) thereby contributing to the beginning of the recovery growth of output.

Revitalization of the labor market

Stimulated wage hikes were an old-new feature of the 2017 economic policy. The president first set a political task to achieve an average nominal wage of USD 500 (BYN 1,000) as early as the end of 2016. This time, fulfillment of this task differed from that in previous years.

For the most part of the year, the authorities did not resort to its artificial stimulation. Therefore, during the first three

quarters of 2017, real wage growth rates were low and mainly natural. The wage growth rate was comparable with the labor productivity growth rate. The level of real labor unit costs (the share of labor costs in revenues, which is an important indicator of price competitiveness of enterprises) remained basically unchanged and remained close to its equilibrium level.

The situation changed in the 4th quarter: the government began to actively use both economic and directive tools to ensure wage growth. As a result, the real wage growth rate in Q4 was around 30% (regardless of seasonal factors). This giant leap caused a wave of consumer optimism and demand.

The situation on the labor market was closely connected with income policy. Over the first three quarters of the year, the lingering decline (since 2011) in employment gradually faded. By the end of the year, employment stabilized, and enterprises increased the number of new jobs. These trends intensified in the 4th quarter on a wave of income stimulation. This gave grounds to believe that the long-lasting trend towards downsizing was over. At the same time, the unemployment problem was not off the agenda. In 2017, the actual unemployment rate was at 5.6%, having slightly decreased against the previous year (5.8% in 2016).

It is also significant that in 2017, the economy felt predominantly favorable impulses from income stimulation, although these effects did not last long. A negative impact on price stability, exchange rate dynamics, the fiscal position and competitiveness and profitability of companies was the downside of this policy. These challenges have already been taken to 2018. A new round of struggle to achieve USD 500 in the average wage raised the question whether the wage increase at the end of 2017 was a one-time injection, and the government will refuse to pump up wages, or it will maintain wages at artificially high levels in 2018 putting macro stability at risks.

Recovery growth began. It is weak and unstable, though

A round of structural adaptation of the national economy to new conditions ended in 2017. Thanks to the external situation, a number of natural trends and some stimulating measures, the economy entered a recovery growth phase. Output increased

2.4%. In terms of demand, the main contribution to this growth was provided by internal components (3.8 percentage points). In particular, 2.4% growth was ensured by an increase in household consumption expenditure, and 1.3% by gross fixed capital formation. External demand contributed 4.5% to output growth, but imports grew faster and limited this growth to 6.2 percentage points. Therefore, the contribution of net exports to the output dynamics was negative (1.7 percentage points).

In terms of supply, the industrial sector provided the greatest contribution of 1.5% percentage points, whereas other major sectors (agriculture, transport and trade) only provided 0.3 to 0.4 percentage points each. Construction was the only large industry remaining in a state of decline in 2017 (minus 0.3 percentage points). This reflects rapid and artificial growth of this industry in the fat years and its dependence on artificial maintaining of demand.

Throughout the year, economic growth showed signs of instability. The second half of the year saw a decline in output growth that indicates the weakness of the recovery growth factors and gave grounds to assume that, other things being equal, the economy would reach the equilibrium growth path (2% to 2.5% per year). The situation somewhat changed in late 2017, as new acceleration factors emerged, particularly, rising world oil prices (17% per quarter), intensified administrative wage growth, and a surge in consumer and investment optimism. This surge, however, can only transform into an extended period of increased growth as a result of a permanent improvement of the external situation.

Other mentioned drivers cannot provide a sustained acceleration of growth without threats to external, price and/or financial stability. Therefore, in a more comprehensive sense, this growth surge at the end of 2017 is rather a manifestation of the weakness and instability of the environment of long-term growth of the national economy.

Conclusion

In 2017, the long period of adaptation of the national economy to the new institutional environment marked by a setback was

over, and recovery began, the improved external situation being the main driver. Price and external stabilization also contributed to this growth to a certain extent. This allowed switching to moderate economic policy that resulted in increased domestic demand and average real wage, and revitalization of the labor market.

Recovery growth was very unstable in 2017, though. This once again underscores the existing structural limitations, which impede national economy growth. Certain progress in institutional transformations achieved in the previous two years did not continue in 2017.

The macroeconomic situation improved, and the search for solutions to a number of chronic structural problems was postponed. Meanwhile, the government started creating a 'new economy', implementing the concept of two-sector economic development. To date, it seems very doubtful that this concept can ensure a significant increase in the growth potential. Therefore, weak and unstable growth will likely remain the main development scenario in the medium term.

FOREIGN EXCHANGE MARKET AND PUBLIC FINANCES: TURBULENCE AHEAD?

Alexander Mukha

Summary

Massive foreign exchange supply by households, further external borrowing and the settlement of the oil and gas dispute with Russia enabled the government to maintain the stability of the domestic money market and public finances in 2017. Net sales of foreign exchange by households continued despite a certain growth of incomes. A further increase in monetary incomes will lead to a decrease in net foreign exchange supply by households that, coupled with a possible increase in net demand for foreign exchange on the part of enterprises (inter alia, following the abolition of the target purchase of exchange), may result in increased pressure on the exchange rate of the Belarusian ruble and gold and forex reserves. In the public finance sector, fiscal risks are growing amid an increase in restructured liabilities of problem enterprises.

Trends:

- Belarus' foreign debt grows along with the volume of restructured debts of problem enterprises;
- The main factors of stabilization of the financial and foreign exchange markets (foreign exchange supply by households and export receipts) are not stable;
- The main factor of financial stability (access to international markets) is not limitless.

Households still act as net suppliers of exchange despite growing incomes

In 2017, the domestic money market remained stable thanks to a massive foreign exchange supply by households, further external borrowing and the settlement of the oil and gas dispute with Russia.

In 2017, individuals sold USD 1,759 billion on a net basis¹ (including cashless transactions) against USD 1,894 billion in 2016. For comparison, non-residents sold USD 313,9 million on a net basis (452,5 million in 2016), whereas business entities, on the contrary, bought USD 880 million (206,1 million in 2016).

¹ Hereinafter: «Статистика.» *Национальный банк Республики Беларусь*. Web. 26 Mar. 2018. <<http://www.nbrb.by/>>.

In recent years, unorganized savings of individuals in foreign exchange declined significantly. In 2015–2017, they sold USD 5,662 billion in cash, which was previously ‘stashed at home.’

The decrease in the net supply of foreign exchange by households in 2017 resulted from the growth of the population’s money incomes in real terms and in the USD equivalent. According to Belstat, in 2017, real money incomes (adjusted for the consumer price index with respect to goods and services) increased 2.5% against 2016 to BYN 63,834 billion.²

According to our calculations, money income of the population in dollar terms increased by USD 3,663 billion (12.5%) to 33,018 billion.

The average wage paid to Belarusian workers (excluding micro- and small organizations without departmental affiliation) increased 16.4% year-on-year from USD 362,1 to USD 421,7.

Individual savings with banks denominated in foreign exchange (foreign exchange deposits, precious metals, and foreign currency-denominated bonds) increased by USD 82,2 million (1%) to USD 8,335 billion as of January 1, 2018.

Deposits in Belarusian rubles increased by BYN 1.011 billion (22.4%) to 5,531 billion as of January 1, 2018.

According to our estimates, the population used over 75% of the money income gains in 2017 to purchase goods, services and real estate that also contributed to the dynamics of the domestic money market indices.

Therefore, in spite of the tangible increase in personal incomes in 2017 (by USD 3,663 billion), individuals secured a large net supply of foreign exchange in the amount of USD 1,759 billion.

If the growth of household incomes continues in 2018, we can expect a further decrease in net supply of foreign exchange by individuals. It is possible that net supply will not fully meet net demand for exchange on the part of enterprises, which is fraught with deterioration of the situation in the domestic money market.

² Hereinafter: «Официальная статистика.» *Национальный статистический комитет Республики Беларусь*. Web. 26 March 2018. <<http://www.belstat.gov.by/ofitsialnaya-statistika/>>.

In this case, it should be taken into account that the National Bank of Belarus (NBB) lifted restrictions on the target purchase of foreign exchange by legal entities and individual entrepreneurs since April 10, 2018. As a result, there can be a certain increase in net demand for exchange from Belarusian enterprises with negative consequences in the form of accelerated depreciation of the Belarusian ruble vis-à-vis the main foreign currencies and increased capital outflows from Belarus.

Drivers for currency proceeds growth

According to the National Bank of Belarus, currency proceeds generated by commodity and service exports, incomes and transfers of nonfinancial companies and households in 2017 increased by USD 6,552 billion (22.1%) to USD 36,175 billion

The increase in foreign exchange proceeds resulted from boosted exports of Belarusian oil products, agricultural products and foods, trucks, bitumen mixtures, potash fertilizers, liquefied gas, crude oil, etc. facilitated by the settlement of the oil and gas dispute between Belarus and Russia in April 2017 in combination with an improved foreign market environment.

All this contributed to an increase in foreign exchange proceeds. According to the Ministry of Finance of Belarus, extra revenues from export customs duties on potash fertilizers in 2017 amounted to BYN 711 million³, oil and oil products 440 million, import customs duties 200 million and other non-repayable receipts 919 million.

Last year, Russia transferred export duties on crude oil to the Belarusian budget under oil and gas agreements that explains the significant increase in other non-repayable receipts.

With account of the distribution of import customs duties between the Eurasian Economic Union member states, in 2017, Russia transferred a total of USD 1,188 billion against USD 597,3 million in 2016.

According to the National Bank, the proportion of the Russian ruble in foreign currency proceeds of nonfinancial

³ Hereinafter: «Государственный долг.» *Министерство финансов Республики Беларусь*. Web. 26 March 2018. <http://minfin.gov.by/ru/public_debt/>.

businesses and households (foreign exchange earnings related to the movement of goods, services, revenues and transfers) fell from 40.1% in 2016 to 38.4% in 2017. Russia paid for 85.8% of Belarusian goods in Russian rubles.

The proportion of the Russian ruble in payments for imported goods and services, incomes and transfers of nonfinancial businesses and households increased from 46.7% in 2016 to 47.7% in 2017. In 2017, Belarus paid for 80.3% of goods imported from Russia in Russian rubles.

The proportion of national currencies in payments by nonfinancial businesses and households of Belarus to Russian residents (81.1%) is slightly lower than in Russia's payments to Belarusian legal entities and individuals (86.6%).

In 2018, we can expect a slowed down growth of foreign exchange proceeds and exports of Belarusian goods and services (including due to obstacles to Belarusian agricultural products and foods in Russia).

Foreign debt is growing

In 2017, the government of Belarus raised USD 4.041 billion in foreign government loans and paid off USD 1.029 billion.

As of January 1, 2018, the average interest rate on foreign government loans was at 4.7% per annum. The average remaining maturity of the principal debt is 5.3 years.

As of January 1, 2018, 40.7% of Belarus' borrowings were channeled into investment projects. Other targets accounted for 59.3% of the accumulated foreign debt.

Russia, China and the World Bank were the main creditors of investment projects in Belarus.

The construction of the Belarusian nuclear power plant is financed from a Russian government's credit line (USD 10 billion) and Russian Vnesheconombank (USD 500 million). As of January 1, 2018, Belarus spent USD 2,7 billion on the NPP construction from the Russian government's credit line and USD 292 million from Vnesheconombank's loan.

As of January 1, 2018, Chinese banks opened a credit line to the government of Belarus for a total of USD 4,6 billion.

Table 1. National debt dynamics in 2013–2018 (as of the beginning of the year), USD million

	2013	2014	2015	2016	2017	2018
1) Loans from international financial institutions	5,134.8	4,485.4	2,964.5	2,584.1	3,115.4	3,724.9
including						
Eurasian Fund for Stabilization and Development	1,680	2,560.0	2,295.2	1,942.1	2,389.0	2,835.9
World Bank	424.3	556.7	589.8	641.8	724.6	821.8
European Bank for Reconstruction and Development	–	–	0.2	0.2	1.8	67.2
International Monetary Fund	3,030.5	1,368.7	79.3	–	–	–
2) Bilateral loans	5,073.0	6,155.4	7,815.7	9,062.2	9,729.7	10,801.9
including						
Russia	3,090.7	3,816.2	5,176.8	6,187.9	6,608.5	7,602.4
China	1,619.2	2,079.4	2,490.1	2,844.3	3,094.9	3,176.8
United States	40.9	37.3	33.6	30.3	26.3	22.7
3) Eurobonds	1,800.0	1,800.0	1,800.0	800.0	800.0	2,200.0
For reference:						
External public debt	12,007.8	12,440.8	12,580.2	12,446.3	13,645.1	16,726.8
% of GDP	18.9	17.1	16.6	22.7	28.5	30.7
Domestic public debt	3,016.2	3,753.6	4,082.7	5,247.6	5,225.5	4,651.3
% of GDP	4.8	5.3	5.7	9.8	10.9	8.6
National debt	15,024.0	16,194.4	16,662.9	17,693.9	18,870.6	21,378.1
% of GDP	23.7	22.4	22.3	32.5	39.4	39.3

Source: Ministry of Finance of Belarus, Belstat.

Some of the investment projects funded from foreign loans turned out to be inefficient and could jeopardize the sustainability of public finances and the foreign exchange market in the medium term.

For instance, the net loss of two cement producers (Krasnoselskstroyaterialy and the Belarusian Cement Plant, the upgrade of which involved Chinese loans in 2017) totaled nearly USD 80,7 million. The government has to seek additional foreign exchange to service and repay loans granted by the Export-Import Bank of China, although the cement plants fail to pay to the state.

In case of a further increase in the volume of restructured liabilities of distressed enterprises, the government may have to borrow much more to repay and service the previously accumulated external debt.

However, the government cannot borrow endlessly. It has even set a foreign debt ceiling for 2018 at USD 19,6 billion and domestic debt at BYN 10 billion (equivalent to around USD 5,1 billion). The public debt management strategy sets the national debt limit (excluding government guarantees) at 45% of GDP against the actual 39.3% as of January 1, 2018.

If the access to international money markets gets more complicated, the government of Belarus, being on a tight schedule of national debt payments, will have to spend gold and foreign exchange reserves more actively and take unpopular measures, such as public spending cuts.

According to the Ministry of Finance, based on interest rates and exchange rates as of January 1, 2018, the schedule of payments on the public debt of Belarus is as follows (principal debt and interests): USD 3,552 billion in 2018; 3,602 billion in 2019; 3,776 billion in 2020; 3,540 billion in 2021; 3,604 billion in 2022; 4 billion in 2023; 2,587 billion in 2024, and 2,361 billion in 2025.

The foreign debt repayment schedule is as follows (principal debt and interests): 2,886 billion in 2018; 2,382 billion in 2019; 2,443 billion in 2020; 3,134 billion in 2021; 2,984 billion in 2022; 3,578 billion in 2023; 2,371 billion in 2024, and 2,215 billion in 2025.

It should be noted that in addition to external and domestic borrowing, the government of Belarus secures external and internal liabilities of enterprises that may also threaten the stability of public finances. As of January 1, 2018, government guarantees on external and internal liabilities of enterprises totaled USD 3,932 billion in equivalent, or nearly 7.2% of GDP.

In 2012–2017, the government of Belarus had to pay foreign and domestic creditors around USD 1,517 billion as guarantees instead of the enterprises-borrowers.

Finally, in order to reduce fiscal risks, the government has lowered the limit of guarantees on foreign debt liabilities of enterprises from USD 3,4 billion in 2017 to USD 3 billion in

2018. The ceiling of state guarantees on internal liabilities of enterprises was set at BYN 3,1 billion in 2018 against BYN 3,8 billion in 2017.

Conclusion

The year 2018 is likely to see a decrease in net supply of foreign exchange by households that, coupled with an increase in enterprises' net demand for foreign exchange, may lead to a depreciation of the Belarusian ruble against major foreign currencies.

With regard to certain types of agricultural products and foods in 2018, exports to Russia may decrease, negatively affecting the dynamics of foreign exchange proceeds.

Higher fiscal risks actualize issues related to restructuring, privatization (including that involving foreign investors) and bankruptcy and/or liquidation of some state-owned enterprises.

LABOR MARKET: IN THE GRIP OF EXCESSIVE ADMINISTRATIVE REGULATION

Vladimir Akulich

Summary

In 2017, the number of the employed continued to decline. Demand for human resources increased. So did the competition for well paid jobs. In many districts, actual unemployment exceeds the natural rate. Compulsory wage rises continues to drive Belarus into an 'average income trap.' The trend towards an income gap increase remains.

Trends:

- The number of people employed in the economy is decreasing as a result of demographic aging and the workforce outflow;
- The problem of unemployment remains acute, especially in the provinces, despite labor shedding; labor demand and the competition for vacant jobs is increasing;
- The country lacks an unemployment insurance system; the labor market is inflexible, efficiency of the use of human capital assets is impaired;
- Belarus finds itself in the average income trap, and needs to cut wages in order to restore the competitiveness of old industries;
- The household income gap is growing.

Human resources

The population in Belarus is rapidly aging. According to statistics, the most intensive of the eight types of aging (unrestrained aging) was typical of 40% of cities and 25% of districts. Another 48% of districts are affected by the second most intensive type of aging: intensified aging. The countryside has become demographically older than urban areas due to migration to cities in the 1950s–1970s. Today, cities are aging as well. Calculations based on the UN methodology

show that by 2017, all cities and regions entered the stage of demographic aging.¹

Aging is determined by two factors. First, Belarus is in the middle of a 20-year demographic transition: the generation of the 1990s (with a birth rate of 10 per 1,000 population) enters the labor market, and the larger generation of the 1950s (with a birth rate of 25 per 1,000 population) is retiring. This process peaks in 2013–2021. On average, the working-age population will decline by 45,000 people, down by 0.7% per year.

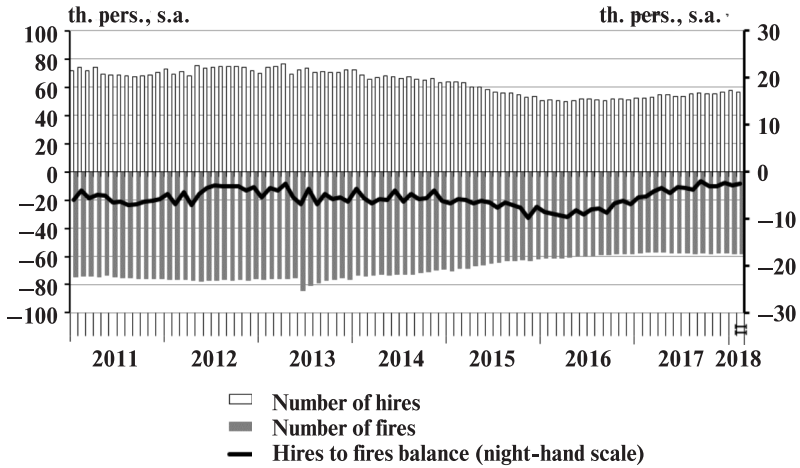
Second, based on data of population censuses, Eurostat and Rosstat, the outflow of workforce from Belarus exceeds the migration gain.² This contradicts the data published by Belstat, which only reports registered migration (like it does with registered unemployment). Around 70,000 people leave the country every year. For example, in 2015, 82,000 people found jobs in the EU, and 17,700 moved to Russia for permanent residence alone. At the same time, 12,800 people moved to Belarus from Russia, which means that Russia lost 4,900 to Belarus. The amount of money transferred from abroad is growing every year. In 2017, Belarusians employed outside the country transferred USD 1,05 billion (0,86 billion in 2016), which is comparable with total exports of the IT sector (USD 0,96 billion in 2016).

Over the past decade, the working-age population decline was estimated at 466,000 people (8%). In conditions of a solidarity pension system, this leads to an increase in the demographic burden on the employed and a deficit of the Social Protection Fund. In recent years, it has been covered by subventions from the state budget.

Over the past seven years, taking seasonality into account, there was not a single month when the number of hired employees did not exceed the number of fired employees (Figure 1).

¹ Антипова, Екатерина «Демографическое старение в Республике Беларусь.» *Белорусский экономический журнал*. 2017, № 4. 129–146. Print.

² Злотников, Анатолий «Сальдо миграции Беларуси: положительное или отрицательное?». *Журнал Белорусского государственного университета. Социология*. 2017, № 1. 91–97. Print.

Fig. 1 Hire/fire ratio

The government sees stimulation of the birth rate as the best solution to the aging problem. A wrong moment was chosen for that, though. The increase in the birth rate has led to a reduction in the employed working-age population (by 200,000 over the past 10 years) and increased expenditures of the Social Protection Fund. Besides, today's children will not enter the labor market before the 2030s.

The government finally announced a retirement age increase (step by step until 2022). However, experts say this will not be enough.

In order to involve working-age persons in the economy as much as possible, the president issued decree No.1, which replaced decree No.3 on 'social parasitism.' In 2017, the proportion of employed persons of working age made up 74%. The reserve for its increase is insignificant. In 1995–2017, this proportion was at 73%, and only reached 82% in 1990–1994. A Belstat's household survey shows that in 2012–2017, on average, 30,000 persons did not have the need or desire to work, and another 35,000 gave up looking for jobs believing that it was impossible to find one. Engagement of these individuals as workforce would increase the proportion of the employed to

76%. The rest are temporarily jobless for valid reasons (studies, care for children or the elderly, service of prison terms, treatment for disability), or are looking for jobs, or are employed outside the country.

In developed economies, the population aging problem is being solved by employing migrants.

Efficiency of the use of human resources

The problem of the workforce outflow from the country can be solved by increasing household incomes (supported by labor productivity growth) at least to the amounts paid in the neighboring countries. Without structural reforms similar to those carried out by the CEE and Baltic States, this problem has no solution. In the past decade, the aggregate factor productivity, which includes labor productivity, has been steadily declining. According to IMF calculations, for example, one worker in the Czech Republic generates the same GDP as two workers in Belarus, the main reasons being the high materials consumption, redundant employment in state-run enterprises, inflexible labor market due to the absence of unemployment insurance, and the top-down management style with a fettering contract system, which does not provide employees opportunities for professional development and self-realisation, resulting in poor performance and low wages.

New technologies are needed to reduce the materials consumption and, consequently, production costs. They can come with investments from the more developed markets. For example, in early 2016, the president demanded that state-owned enterprises reduce production costs by 25%. In 2015, it consisted of the costs of materials (64%), wages (18%) and deductions to the Social Protection Fund (6%). This means that production costs can only be reduced by decreasing these components. Each percent of a reduction in materials costs requires considerable investment and time. For example, in 2010–2014, when the proportion of investments in GDP was still high and various modernization programs were in progress, the materials costs only decreased by 3%.

Post-crisis recovery

The labor market returned to the pre-crisis level with respect to a number of indicators. Demand for labor continued to rise for the second consecutive year. The number of job openings in employment agencies' databases increased from 29,000 as of late 2015 to 36,000 in late 2016 and to 54,000 as of the end of 2017 (only 2012 saw more). As many as 242,000 people applied for assistance in finding jobs in 2017 (239,000 in 2016 and 250,000 in 2015). RABOTA.TUT.BY Center analyzed its own vacancy database and reported that in 2017, the number of openings continued to increase (by 40% in 2017 and 33% in 2016).³ According to IMF calculations, quasi unemployment in 2017 fell to 0.7% (2.3% in 2016 and 3.1% in 2015).

The official number of vacancies in 2017 was 150% higher than the number of people applying to employment agencies. RABOTA.TUT.BY says there were eight job seekers per opening, same as in 2014. The latest data reflect the real competition in the labor market to a greater extent and explain why 40% of applicants could not find jobs in 2017 for over six months. The average duration of unemployment among those looking for jobs through employment agencies was 4.2 months in 2017 (4 months in 2016), whereas those who were looking for jobs on their own stayed jobless for 6.5 months (7 months in 2016). This shows that the time limit set for job search by Decree No. 1 (three months) is unreasonably understated.

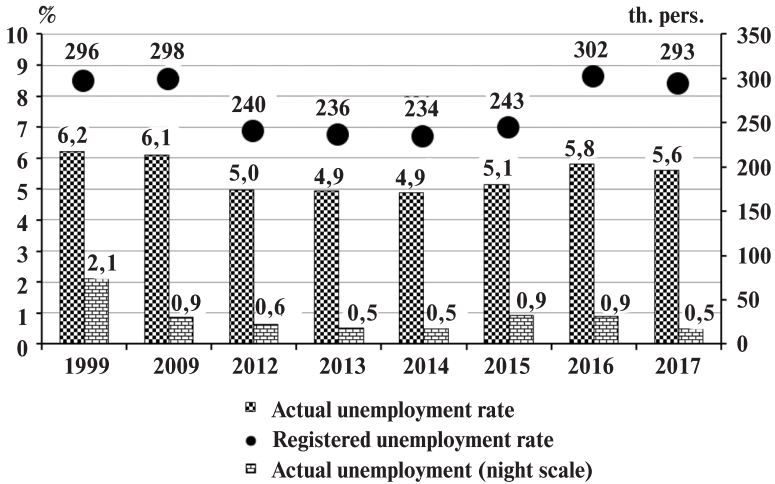
Unemployment

In 2017, the country totaled 293,000 unemployed persons, or 5.6% of the able-bodied population (Fig.2).

In Belarus, state-owned enterprises may refrain from staff cuts and keep employees on forced leave for a long time. Given this quasi unemployment, the actual unemployment rate in 2017 was at 6.3% (8.1% in 2016 and 8.2% in 2015).

³ «Рынок труда Беларуси. Итоги 2017.» *TUT.by*. 17 Jan. 2018. Web. 10 Apr. 2018. <<https://minsk.jobs.tut.by/article/21722>>.

Fig. 2 Unemployment rate in Belarus



There is a significant differentiation in terms of unemployment in the provinces. In the Molodechno district (based on the results of the pilot population census), actual unemployment in 2017 made up 9.1%. In many districts, unemployment exceeds the natural level by 5% to 6%.

As of the end of 2017, Belarus numbered 23,000 registered unemployed persons, 0.5% (there were fewer only at the end of 2013). This constitutes 8% of the total number of the unemployed. The low unemployment benefit (13% of the subsistence wage, or 3% of the average wage), imposed community service and the shortage of high skill jobs in the vacancy database make little sense of the official registration as unemployed. People usually look for jobs without seeking help from the state.

‘Average income trap’ and the growing income gap

Belarus is generally thought to be an average income country. This is true in terms of PPP-based GDP per capita. In nominal terms, GDP per capita in Belarus is almost two times lower than the world average: USD 5,100 in 2016 and USD 10,000

thousand, respectively, according to the IMF. The real purchasing power of the population is reflected by nominal GDP in the open global world, rather than GDP (PPP). For example, with these incomes one can hardly buy high-quality imported goods. In 2017, Belarus was last but one in Europe with respect to the number of purchased new cars (4 per 1,000 population). For comparison, 19 new cars were purchased in Estonia, 26 in the Czech Republic, and 42 in Germany.

Income differences are increasing. The gap between the arithmetical average and median average wages has grown by 50% in four years (21% in November 2013, 24% in November 2014, 28% in November 2015, 30% in November 2016, and 32% in November 2017).⁴ The average wage is getting further and further from reality. In November 2017, in half of the districts, over 50% of employees were paid less than BYN 500.

The monthly median disposable income per capita in the fourth quarter of 2017 was BYN 392 (USD 6 per diem). In the past five years, this amount has changed little ranging BYN 350 to 400 (Fig.3). The social protection system is not targeted (only 2% of the funds are distributed by individual requests). In 4Q17, 30% of large families had incomes below the poverty threshold.

In 2017, the task was set again to achieve the average wage of BYN 1,000 or BYN 500 at a nominal rate. The annual average wage was raised to BYN 815, although this figure looks overstated. The wage growth rate outstripped the labor productivity growth rate (6.2% and 3.6%, respectively).

Compulsory wage rises undermine the price competitiveness of domestic producers. Even without this, we can say that Belarus (like Russia) was caught in an ‘average income trap’ five years back. Since mid-2012, three years before energy prices were lowered, the growth rates of the economies of Belarus and Russia have almost zeroed. Wages in Belarus in 2012 and the first half of 2013 rose for the first time to USD 600 at par or USD 400 in today’s dollar prices (Fig.4). In 2012–2013, the average annual

⁴ «В Беларуси обостряется неравенство в доходах.» *Banki24.by*. 06 Feb. 2018. Web. 10 Apr. <2018. <https://banki24.by/news/2549-bolshoy-kush-dlya-izbrannyh>>.

Fig. 3 Real median average income per capita

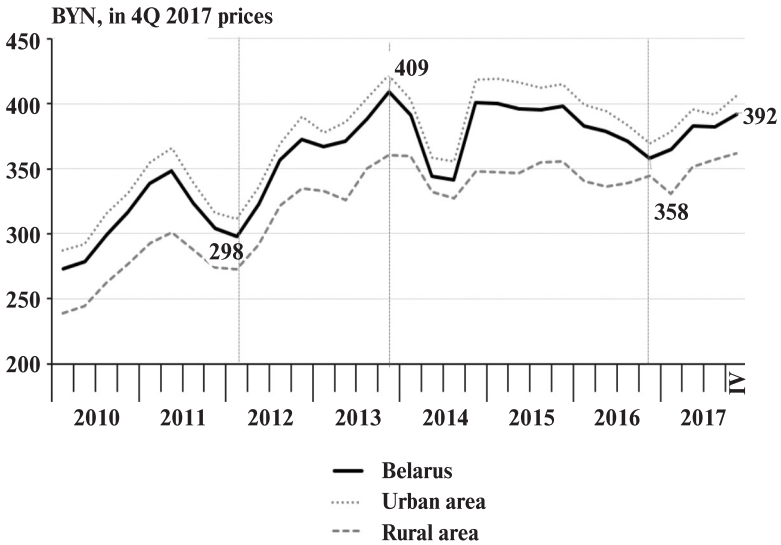
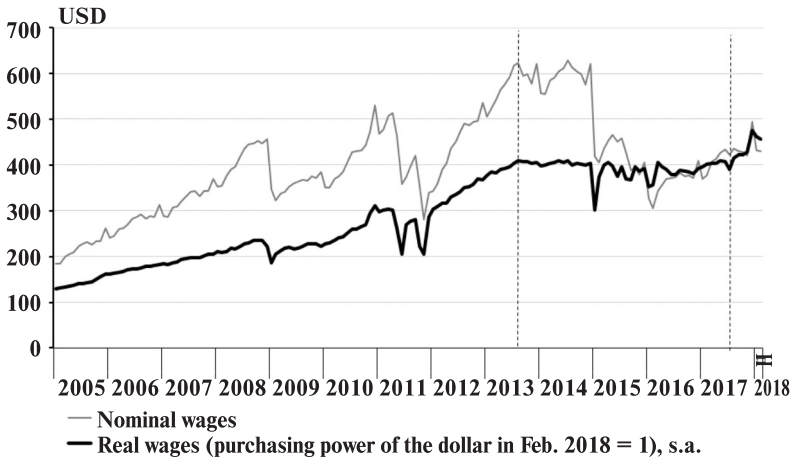


Fig. 4 Average monthly wage in USD equivalent



growth rate of wages was reported at 19% and GDP at 1.5%. Despite the depreciation of the Belarusian ruble in 2014–2016, the real wage in USD equivalent has since been maintained at

USD 400. Furthermore, it reached the bar of USD 450 in the second half of 2017.

With the current labor costs, the costs of many domestic goods are higher than elsewhere in the world. Stuck in the average income trap, Belarus is losing the competition to countries where the cost of industrial goods is lower. Belarus cannot compete with developed economies, which possess skilled workforce, latest technologies and innovative capacities.

Manufacturers of sophisticated commodities are hit by increased labor costs the most. Wages are being inflated at all processing stages. Besides, import substitution was ordered from above. All this affects prices of finished goods. For example, Belarusian machine tools cost twice as much as German analogues. Producers of raw materials and resource-intensive goods suffer less from unjustified wage rises. As a result, the proportion of medium- and low-tech goods in exports has decreased from 58% in 2008 to 40% in 2016. They are being replaced by raw materials and less resource-intensive goods, the proportion of which increased from 24% to 42%. The share of high-tech goods remained at 1.5%.⁵

There are two ways out of this situation. The first one is to lower the average salary to USD 300–350 to regain competitiveness in export-oriented industries. The population will be poorer, of course. The second way is to bring about reforms, join the global value chains, choose particular lines of production to focus on, foster foreign investment and acquire high technologies that can reduce material consumption and make goods competitive with USD 500, 700 and even 1,000 in wages. For example, the average wage in Lithuania amounted to USD 1,000 in 2017, and the country fosters production of goods intended for exports to the EU.

Conclusion

Belarus' workforce is shrinking due to the natural aging of the population and the outflow of young people from the coun-

⁵ Судник, Светлана. «Об уровне продуктивности экспортной корзины Беларуси.» *Банковский вестник Национального банка Республики Беларусь*. 2017, № 9. 34–41. Print.

try. This decline will continue, as the measures taken are not enough. Decree No.1 will not change the situation, since jobs are created by investors, not by government officials. The cost of its administration will exceed the possible benefits. The employment decline will lead to a growing deficit of the Social Protection Fund and slower economic growth.

In many districts, actual unemployment exceeds the natural rate. The income gap is growing. The average wage grows mainly in big cities.

Belarus' economy has got into the 'average income trap.' Due to compulsory wage rises, the country loses its position in the old mid-tech industries thus being unable to master high-tech ones. Without structural reforms, a macro adjustment is required to regain competitiveness. Subsequently, wages will return to a level that ensures competitiveness of products in export-oriented industries. In the current technological modes, this level is very low.

ENERGY SECTOR: TEMPORARY STABILIZATION WITHOUT CLEAR PROSPECTS

Aleksander Avtushko-Sikorski

Summary

In April 2017, the Belarusian-Russian oil and gas dispute was settled, and supplies to Belarus were back to normal. The sides agreed on a lower price for Russian natural gas after 2017. Belarus was finally allowed to keep the oil products, which it had to send to Russia under previous agreements. Compared with 2016, revenues of Belarusian oil refineries grew thanks to higher oil prices. The oil and gas conflict was over, but little time passed until a new kind of conflict emerged, this time regarding oil transportation. The benefits that Belarus received in this confrontation are likely to be very unstable, whereas the probability of a series of new flare-ups is very high.

Trends:

- Improved situation in the Belarusian oil and gas industry in the medium term;
- Growing divergence of interests of Belarus and Russia when it comes to choosing the routes to transport oil and oil products;
- Continued transition to the hundred-percent electricity fee for households, although there is no clear tariff policy.

Oil and gas

In the first quarter of 2017, the Belarusian-Russian oil and gas dispute was finally settled. In 2016, Belarus refused to pay the gas price set by Russia, considering it ‘unfair’ given the fall in the prices for Europe and Belarus’ growing debt to Gazprom.¹ Belarus said that payments would be resumed if the price was lowered from USD 137 to 73 per thousand cubic meters.

Seeking to enforce the contract, Russia cut oil supplies to Belarus in the third and fourth quarters of 2016 by a total of 5 million metric tons (20.8% of the planned volume), and by 30% to 40% in the first quarter of 2017. Belarus failed to achieve the desired price. Moreover, in 2017, the price was raised 7% against 2016 to USD 146 per thousand cubic meters.

¹ Avtushka-Sikorski, Alexander. “Energy Sector: End of the oil and gas rent era.” *Belarussian Yearbook 2017*. Vilnius: Lohvinaū: 2017. 244–250. Print.

After several rounds of talks in April 2017, the sides signed a package of documents on the terms of oil supplies to Belarus for the period until 2024. According to Russian Prime Minister Dmitry Medvedev, the documents were supposed to “minimize the risks of price disputes.” Under the reached agreements, Belarus will receive 24 million tons of oil a year until 2024, of which 18 million will go to Belarusian refineries in 2018 and the remaining 6 million will be re-exported. Belarus will keep the customs duties for itself. Also, Belarus was relieved from the obligation to supply at least 1 million tons of oil products to the Russian market.

The sides also agreed on discounts and reduction factors applied to the gas price. The formula for calculating the base price of a thousand cubic meters of gas did not change and was still pegged to the price of gas for the Yamalo-Nenets Autonomous District of Russia. Based on the reduction factors, Belarus will receive Russian gas at USD 129 per thousand cubic meters in 2018 and USD 127 in 2019. It was also agreed that by the end of 2017, Belarus would receive gas at USD 130 despite a 7% rise in accordance with the previous calculation formula.

Although the conflict allowed Belarus to reduce gas prices in the medium term and obtain guarantees on the volume of oil supplies until 2023, the year 2017 was a no-win year for the Belarusian oil industry. Belarus exported 12,3 million tons of oil products in total (a 5.5% decrease against 2016 in physical terms). In value terms, imports increased 32.1% to USD 5,34 billion.² Oil imports in 2017 amounted to 18 million tons. There was a 34.4% increase in the oil price against 2016 from 192 to 294 dollars.

The import of natural gas grew by 2% to 19 billion cubic meters worth around 2,5 billion dollars. The difference in the prices of Russian gas for Belarus and Western European countries dropped considerably over the past five-year period (although it increased against 2016).

² Hereinafter: «Экспорт и импорт со странами ЕАЭС в 2017 году.» *Национальный статистический комитет Республики Беларусь*. 2018. Web. 16 Apr. 2018. < http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-okruzhayushchaya-sreda/vneshnyaya-torgovlya_2/godovye_danne/eksport-i-import-so-stranami-eaes/>.

Table 1. Dynamics of the physical volumes of exports of oil products, revenues and export prices per ton of oil products supplied by Belarusian refineries in 2010–2017³

	2010	2011	2012	2013	2014	2015	2016	2017
Exports in physical terms, million tons	11,2	15,7	17,49	13,56	13,76	16,58	13,0	12,3
Earnings, USD billion	6,69	12,73	14,5	10,15	9,85	6,83	4,04	5,34
Price of oil products, USD per ton	595,0	811,0	829,17	748,76	715,98	403,5	311,0	434,14

Table 2. Dynamics of prices of Russian gas for Belarus and at the German border, and the difference between the prices in 2010–2017⁴

	2010	2011	2012	2013	2014	2015	2016	2017
Price of Russian gas for Belarus, USD per 1,000 cubic meters	185	280	165,6	165,5	170	144	137	130
Price of Russian gas at the German border, USD per 1,000 cubic meters	296,0	381,48	435,23	413,3	386,0	268,63	160,63	197,9
Price difference, USD per 1,000 cubic meters	111	101,48	269,4	247,8	216	124,63	24,63	67,9

This confirms our last year's outlook for the energy sector development⁵: the period of super-profits is over, and the indicators (provided that the existing oil supply contracts with Russia will be executed) will largely depend on the oil price on foreign markets and the ability of Belarusian refineries to switch to the production of higher quality oil products. The latter, in turn, depends on the feasibility of plans to upgrade the Belarusian

³ «Экспорт важнейших видов продукции.» Национальный статистический комитет РБ. Web. 22 Apr 2018. http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-okruzhayushchaya-sreda/vneshnyaya-torgovlya_2/godovwe_danne/eksport-vazhneishih-vidov-produktsii/.

⁴ “Primary Commodity Price.” *IMF*. Web. 22 Apr. 2018. <<http://www.imf.org/external/np/res/commod/index.aspx>>.

⁵ Autushka-Sikorski, Alexander. “Energy Sector: End of the oil and gas rent era.” *Belarussian Yearbook 2017*. Vilnius: Lohvinau: 2017. 245–248. Print.

refineries scheduled for 2019. The difference in the Russian gas prices for Belarus and Western Europe, which allowed increasing competitiveness of Belarusian enterprises for quite a while, is also at an all-time low.

The oil and gas conflict was over, and another one was not long in the making, this time over oil transportation. In 2017, the Russian government began to insist on the redirection of the transportation of Belarusian oil products to Russian ports instead of Baltic terminals. This was substantiated by the fact that oil products are made from subsidized Russian oil, and, therefore, Russia should derive benefits from their transportation.

In March 2017, Russian Railways doubled the discount from 25% to 50% on transportation in tank-cars from Barbarov (Mozyr refinery) and Novopolotsk stations to north-western ports of Russia – Ust-Luga and St. Petersburg. However, even with this discount, the transportation through the Baltic ports was still cheaper because of the shorter haul distance. Besides, there was no need to pay for extra services in Russian ports (for example, heating of tanks and de-icing of the ports in winter), and, no less importantly, Baltic ports offer better servicing, technological infrastructure and legal terms, not to mention that Belarusian oil companies have long-term contracts with the Baltic ports.

The exact costs of the transportation via Baltic and Russian ports are not available in the public domain. According to some estimates, Russia should grant an extra discount of 36% to make the costs even with the Lithuanian railways.⁶ But still the cost of transportation of Belarusian oil products to Russian ports will be higher due to the much longer distance and extra costs mentioned above.

In August, the conflict reached the level of the Russian president. Russian Railways chief Oleg Belozyorov complained that Belarus refused to redirect trade flows to Russian ports regardless of the offered discount. Vladimir Putin proposed to tie oil supplies to Belarus with obligations to transport oil products via Russian ports, saying that ‘the refineries process Russian oil and

⁶ «Переориентация на российские порты: подсчитываем риски.» *Наше мнение*. 26 Sept. 2017. Web. 22 Apr. 2018. <<http://nmnby.eu/news/analytics/6443.html>>.

it is highly unlikely that they will get it somewhere else'. In mid-August, Russian Minister of Energy Alexander Novak intervened as well. He announced proposals on the mandatory use of the Russian transport infrastructure by Belarusian oil companies.

In late August, Sergey Tugarinov, Vice CEO of the Russian Railways' Center of Corporate Transportation Services said that in the event of a redirection of Belarusian oil products to Russian ports, Russian Railways will be able to transport up to 8 million tons of Belarusian oil products a year, and dropped a delicate hint that it was 'not easy' to execute the agreement on Russian oil supplies to Belarus in 2017. About a month later, Russian Deputy Energy Minister Kirill Molodtsov told media reporters that conditions for the redirection 'had been created' and the required paperwork 'was being done'.

The potential conflict does not go further

The dispute over the tied supplies of Russian oil and the mandatory use of Russian ports for the transshipment of Belarusian oil products demonstrates an important feature of Belarusian-Russian oil and gas trade relations: as long as money is not involved, but is based on trade asymmetries, the extent of contracts and the probability of price disputes leave room for new conflicts. As long as foreign policy loyalty is exchanged for subsidized energy commodities, one of the parties will always be able to find 'injustice' in existing agreements and initiate a new conflict in an effort to improve the terms.

The year 2017 was quite good for domestic crude oil producers. Several oil fields were discovered in Belarus. It was announced in early January that the Ugolskoye field has 1,7 million tons of oil in place. In late April, another deposit 350,000 to 800,000 tons of recoverable oil in capacity was discovered in the Zhlobin district. In late December, Belorusneft reported two deposits in the Rechitsa district. The first one was said to have 389,000 tons of recoverable oil. As for the second field, only geological and geophysical parameters were published, and the volume of extracted oil remains unknown. The total amount of extracted oil in the discovered fields ranges from 150% to 180% of oil exported by Belarus in 2017.

Electricity and tariff policy

In 2017, electricity tariffs were raised once in September. The base tariff rose to 0.188 from 0.1287 rubles per kilowatt-hour. According to the government, households covered 70% to 79.8% of the energy cost. Charges will be raised gradually to 100% starting from 2018. As against 2016, the population was not that outraged by the rise in tariffs and did not resist as much. In 2016, public discontent at a 20% rise in electricity bills caused the authorities to bring them down. Discontent was not observed in 2017, although, according to Council of Ministers' resolution No.1035 of December 16, 2016, the tariffs were not supposed to be raised in 2017. Our forecast made in the previous *Belarusian Yearbook*⁷ was wrong: we believed that the government would refrain from raising energy fees in 2017 to avoid public turbulence.

However, the gradual approach to a hundred percent cost recovery for electricity in Belarus paradoxically does not mean a reduction in cross subsidies or their complete abolition. Normally, an increase in tariffs for households should be accompanied by a simultaneous decrease in tariffs for the industrial sector, which did not happen in Belarus: the tariff for industrial enterprises in 2017 (10.79 US cents per kilowatt-hour) was almost twice the tariff for households (5.49 cents).

For comparison: in 1H17, the electricity tariff for households and industrial consumers in Estonia was set at 12.1 and 8.7 eurocents, respectively; 15.9 and 11.8 in Latvia; 11.2 and 8.4 in Lithuania, and 14.6 and 8.8 in Poland.⁸

Despite a thirteen percent increase in electricity imports in 2016 and unchanged electricity imports in 2017 (around 7 billion kilowatt-hours), an important event occurred in 2017: in late December, Energy Minister Vladimir Potupchik said that in 2018, Belarus will stop importing electric energy completely. Most likely, Belarus just wants to synchronize its energy system with those of the neighboring countries (EU members)

⁷ Autushka-Sikorski, Alexander. "Energy Sector: End of the oil and gas rent era." *Belarussian Yearbook 2017*. Vilnius: Lohvinaū: 2017. 248–249. Print.

⁸ "Electricity price statistics." *Eurostat*. Web. 22 Apr. 2018. <http://ec.europa.eu/eurostat/statistics-explained/index.php/Electricity_price_statistics>.

that will enable to export energy from the Belarusian nuclear power plant.

Conclusion

The losses incurred due to the oil and gas conflict in 2016 were carried over to 2017. Russia cut oil supplies to the level of 2016. Although increased prices of oil products on foreign markets allowed Belarus earning more, the decreased oil supplies could not but affect the profitability of the Belarusian oil industry, which would probably be able to reach the level of 2015 in 2018 at best.

The oil and gas conflict also allowed Belarus to achieve better terms of Russian oil and gas supplies by applying reduction factors for gas and the re-export of 6 million tons.

The conflict very clearly showed how easily (despite seemingly resolved contradictions) Belarus and Russia could enter a new conflict based on their own understanding of 'fairness'. The agreements reached therefore look very fragile.

FOREIGN INVESTMENT: STARTUPS AND INNOVATIONS OR LOANS

Maria Akulova

Summary

Although the government's plans to raise foreign financing were fulfilled, the results of 2017 were ambiguous in this respect. The private sector and, especially, hi-tech startups generated investors' profound interest. Investments in the public sector were provided by the state through external borrowing and redistribution of funds raised this way. The public sector thus remains unattractive for investors, but, in fact, it seeks state subsidies, rather than investments. In 2017, the government took a number of important steps to improve the regulatory framework for investment and to stimulate business ventures.

Trends:

- A regulatory framework is created to stimulate investment and business initiatives;
- Viability of the public sector is maintained through the redistribution of state loans;
- Investments in technological startups are growing amid zero interest in the public sector on the part of investors.

Plans to raise foreign financing are executed

In 2017, foreign investment totaled approximately USD 2,544 billion against 378,6 million a year back.

Belarus planned to raise at least 1.4 billion in foreign direct investment (FDI).¹ Actual data for 2017 show that the target was basically achieved: FDI increased 2% year-on-year to USD 1,274 billion² (1,246 billion in 2016). Most of FDI was com-

¹ «Постановление Совета министров Республики Беларусь “О реализации задач социально-экономического развития Республики Беларусь на 2017 год”.» *Национальный правовой Интернет-портал Республики Беларусь*. 14 Dec. 2017. Web. 10 Apr. 2018. <http://www.pravo.by/upload/docs/op/C21601008_1481662800.pdf>.

² «Платежный баланс, международная инвестиционная позиция и валовой внешний долг Республики Беларусь.» *Национальный банк РБ*. Web. 10 Apr. 2018. <<https://www.nbrb.by/Publications/BalPay/BalPay2017.pdf>>.

posed of reinvested incomes of foreign owners (670 million), rather than the appearance of new players and technologies in the market (396 million). Foreign investment in 2017 consisted almost equally of FDI and portfolio investment, thanks to the successful placement of two issues of Eurobonds on foreign markets for a total of USD 1,4 billion.

In 2017, the foreign debt increased by nearly 21.9% to USD 17,26 billion, 34.3% of GDP as of January 1, 2018, against 14,15 billion and 28.5%, respectively, in 2016. The negative trend towards an increase in the debt burden on GDP observed in 2016 remained. Gross external debt grew by 6.4% to USD 37,5 billion as of January 1, 2017. By 2018, it reached nearly 39,9 billion.

Public sector privatization: no transactions

As in 2016, the government did not entertain hopes for privatization deals or sudden investment interest in state-owned assets. In March 2017, the State Property Committee (SPC) announced one more privatization plan and listed 41 enterprises to be sold. Only few of them can be classified as large. The assets intended for privatization were subject to a number of terms and conditions that no one would wish to meet. Naturally, the result was predictable: no bids at all.

Privatization remains frozen, mainly due to the lack of protection of property rights, overestimation of the real value of assets and their non-viability. Besides, state administration bodies are not motivated to sell state property whatsoever.

In late 2017, amendments to the Law on Privatization removed some of the obstacles, but did not solve the problem comprehensively.

Private sector: technological companies show best development dynamics

The private sector was successful in attracting foreign capital, which is proved by a number of closed M&A deals. The IT segment remains the most dynamic and attractive in terms of investment, among other things, being one of the key foreign

exchange generators in the country. For the first time in the history of the High-Tech Park (HTP), in 2017, HTP's exports totaled USD 1,25 billion. The year 2017 thus saw a considerable number of deals with various startup projects.

The Belarusian investment company VP Capital, investment fund Larnabel Enterprises and startup Banuba (mobile applications based on augmented reality technologies) made a deal worth USD 5 million. The startup PandaDoc engaged in workflow automation raised USD 15 million from Rembrandt Ventures Partners. American Solbeg Group invested in the startup Wandle (smart filtering service for notifications on smartphones). Medical startup Flo raised around USD 5 million from the venture fund Flint Capital. The startup Healthy Networks received USD 100,000 from Spacemind Capital.

Belinfond (Russian-Belarusian Venture Investment Fund) signed its first deal to support the startup Trinita, which is developing a post-stroke recovery trainer with USD 400,000. The agro-startup Onesoil (computer-aided learning for higher efficiency in agriculture) signed a USD 500,000 financing agreement with Haxus venture fund. Belarusian Banuba and Iventain launched the startup Camera First with around USD 1 million in investment to design augmented reality-based mobile games. RocketBody received USD 1 million from Quattro Capital to develop a mobile application that monitors metabolic processes. American Mapbox and Belarusian Mapdata have agreed to set up an R&D center in Minsk to develop unmanned technologies.

Several agreements concluded by the private equity fund Zubr Capital can be pointed out. In March 2017, the fund acquired a blocking stake in the online hypermarket 21vek.by. In April 2017, it bought a blocking stake in av.by auto advertisement site and united it with competing a.tut.by. Finally, in August 2017, Zubr Capital raised financing for Uniflex company, which produces flexible packaging and self-adhesive labels. The amounts of all three transactions are standard for the fund ranging from USD 3 to 8 million. The exact amounts have not been disclosed.

In the Greenfield investment bloc in 2017, the agreement reached by the joint Polish-Ukrainian company MOT and the

administration of the Free Economic Zone Brest on the construction of a metalware line is of interest. Preliminary, investments are said to be USD 500 million. Chinese DRex Food Group and Xinronqji Holding Group intend to invest around USD 1 billion in the construction of plants to produce packing and foods in the Great Stone Park, and the construction of a dairy farm. The Chinese are likely to consider a purchase of shares in various Belarusian companies and all or a part of stocks in state-owned Moscow-Minsk Bank. Another project involves investment of USD 30 million in the construction of an engineering bureau in the Great Stone Park. American IPG Photonics will be the anchor investor.

Portfolio investment

In 2017, Belarus planned to float sovereign Eurobonds worth around USD 800 million, and exceeded the target.

In June, the country placed 1,4 billion dollars' worth Eurobonds in two tranches: 800 million with a yield of 7.125% will mature in 2023, and 600 million with a yield of 7.625% will be redeemed in 2027. The previous issue was paid off on time allowing Belarus to float the next one on more favorable terms than in 2010–2011. However, if there was a loan program with the IMF by the time of placement, the rates would be similar to the current interest rate set at 5% to 6% for domestic loans of the Ministry of Finance.

The practice of placing government securities in the domestic market was continued. In 2017, the country raised USD 395 million, EUR 51 million and BYN 200 million.

The total annual placement of bank bonds totaled USD 903,5 million. Belagroprombank led with 28.6%. It was followed by Belarusbank (22.6%), BPS-Sberbank (16.9%), BelVEB Bank (8.9%) and 'Alfa-Bank' (7.9%).

The corporate segment also tried to attract additional capital by placing foreign exchange and ruble bonds on the domestic market worth USD 988,1 million. Topping the list were Belarusian Railways (13.2%), Minsk Tractor Plant (9.6%), Smolevichi-Broiler (8.9%), Mozyr Refinery (6.6%) and Conte Spa (6.5%).

Other foreign liabilities

Net volumes of other external liabilities in 2017 decreased by USD 48,3 million. As a year before, the public administration sector acted as the main borrower.

The net increase in liabilities on the external public debt in 2017 amounted to USD 1,6 billion, whereas a decrease was reported with respect to central bank liabilities and liabilities on non-residents' loans.

In 2017, Belarus received three tranches of a loan from the Eurasian Fund for Stabilization and Development under an agreement signed in 2016. The fourth and fifth tranches (USD 300 million each) were received in April and June 2017, and one more (USD 200 million) came in October. The remaining USD 400 million are expected in 2018, provided that requirements of the credit program regarding economic reform are met.

Belarus continued talks with the IMF on a new three-year lending program started as far back as 2015. The country is hoping for USD 3 billion at 2.28% per annum for 10 years. It was said in July 2017 that the negotiations had been suspended because of divergent views. In particular, the sides failed to agree on changing the corporate governance system, restructuring the public sector, reforming the tariff policy for housing and public utilities, and ensuring equal conditions for the operation of all forms of business. As a result, the loan talks were put on hold and may be resumed in 2020–2021 once the country has carried out reforms prescribed by the Program of Socioeconomic Development for 2016–2020.³

As for external borrowings by economic entities, the following agreements are worth noting. The World Bank lent USD 60 million to the Development Bank of the Republic of Belarus under government guarantees to support private medium, small and micro companies. Belarusbank and Austrian Kontrollbank signed an agreement on a EUR 30 million loan. The European Bank for Reconstruction and Development

³ Программа социально-экономического развития Республики Беларусь на 2016–2020 годы.» *Совет министров Республики Беларусь*. Web. 10 Apr. 2018. <http://www.government.by/upload/docs/program_ek2016-2020.pdf>.

lent USD 15 million to the large private leasing company Raiffeisen-Leasing.

Measures to improve the investment climate

The poor interest on the part of foreign investors causes the national authorities to take measures to enhance Belarus' attractiveness and facilitate doing business in the country. Like 2016, the year 2017 saw a number of landmark bills aimed at intensification of external investment.

Decree No. 7 on the development of entrepreneurship⁴

On November 23, 2017, Alexander Lukashenko signed decree No. 7 aimed at improving the business climate in the country. It simplified licensing procedures and reduced state intervention, made it possible to start a business upon notification of the authorities, and introduced self-regulation mechanisms. This inspires hope that the envisaged measures will be implemented at all management levels.

Amendments to the Law on Privatization⁵

Amendments to the Law on Privatization were passed by the House of Representatives on December 14, 2017 in the first reading. They are meant to create additional tools to protect property rights in privatization, abolish privatization plans, reduce the action limitation period in privatization transactions from ten to three years, and improve procedures for evaluation of state assets.

⁴ «Декрет № 7 от 23 ноября 2017 г. “О развитии предпринимательства”.» *Официальный Интернет-портал Президента РБ*. 23 Nov. 2017. Web. 10 Apr. 2018. <http://president.gov.by/ru/official_documents_ru/view/dekret-7-ot-23-nojabrja-2017-g-17533/>.

⁵ «О проекте Закона Республики Беларусь “О внесении изменений и дополнения в Закон Республики Беларусь “О приватизации государственного имущества и преобразовании государственных унитарных предприятий в открытые акционерные общества”.» *Национальный правовой Интернет-портал РБ*. Web. 10 Apr. 2018. <<http://pravo.by/document/?guid=3961&p0=H21700197>>.

Decree No.370 on the Entrepreneurship Development Council⁶

This decree signed on October 10, 2017 replaced 60% of the Council members, giving more seats to representatives of small, medium and large businesses together with additional powers to improve the business climate and protect interests of the private sector. The decree enabled the Council to submit recommendations on legislative matters (mandatory for consideration) to the Council of Ministers and the Ministry of Economy, and instructed the government to coordinate bills with the Council.

Decree No.8 on the development of the digital economy⁷

Signed on December 21, 2017, the decree expands privileges of the High-Tech Park, gives more benefits to food companies, expands the list of activities, which make it possible to become an HTP resident, and reduces bureaucratization in relation to operations of HTP residents. Also, the decree abolishes subsidiary liability and exonerates founders from property liability in the event of bankruptcy, stimulates venture investment in startup projects and facilitates visa and migration procedures for foreign employees and founders of HTP companies. It also creates conditions for the blockchain technology and the use of crypto-currencies in Belarus. On top of that, it introduces English law and expands the list of contracts that HTP residents may conclude with third parties.

Conclusion

Decrees No.7 and 8 give an important signal to foreign investors, manifesting the willingness to enter into a dialogue with them.

⁶ «Указ № 370 от 10 октября 2017 г. “О Совете по развитию предпринимательства”». *Официальный Интернет-портал Президента РБ*. 10 Oct. 2017. Web. 10 Apr. 2018. <http://president.gov.by/ru/official_documents_ru/view/kommentarij-k-ukazu-370-ot-10102017-17279/>.

⁷ «Декрет № 8 от 21 декабря 2017 г. “О развитии цифровой экономики”». *Официальный Интернет-портал Президента РБ*. 21 Dec. 2017. Web. 10 Apr. 2018. <http://president.gov.by/ru/official_documents_ru/view/dekret-8-ot-21-dekabrja-2017-g-17716/>.

The decrees seek to simplify entering into Belarusian business for foreign buyers and stimulate their interest. It is likely that, despite economic difficulties, the situation with investments will not look deplorable. However, it first of all concerns greenfield investments or IT projects as relatively protected investments. Privatization is unlikely, despite the adoption of the amendments to the Law on Privatization. A more systematic and flexible approach is needed, because investors' trust is still not great.

In 2018, the government will continue issuing and placement of foreign exchange bonds on the domestic market. Issues of Eurobonds are also planned. The government plans to raise at least USD 600 million in this way.

The government still lacks the political will to initiate structural reforms of the economy that continues to be the main obstacle to foreign investment, technologies and innovation. Positive shifts would allow launching a credit program with the IMF and contribute to the stability and competitiveness of the economy.

REAL SECTOR: POST-CRISIS GROWTH

Vadim Sekhovich

Summary

Macroeconomic stabilization, which started with exports in late 2016, spread to the domestic market last year. Commercial lending recovery gave an impetus to business activity. The production sector showed a certain growth after two years of decline. Increases in world oil products prices and Russian food prices started and then maintained positive trends. Exports of services went up, contributing to a foreign trade surplus reported in 2017.

However, the government was not in a rush to support the public sector, which was hit by the recession the most, in previous volumes. In 2017, budget loans given to pay off public sector's debts were cut 200-fold.

According to the new strategy aimed at liberalizing the business environment and stimulating entrepreneurship, the private sector is to create new jobs for a redistribution of workforce released in the public sector. Several initiatives were adopted with a view to increasing the share of private businesses in GDP. Some important liberalization issues remained unresolved, though, including the mitigation of supervisory measures.

As part of the structural reform of the national economy, a new momentum was given to large sectoral projects (Great Stone Industrial Park and High Technology Park).

Trends:

- Emergence of prerequisites for accelerating economic growth;
- Increased sectoral preferences, growth of investment in high-tech industries, development of infrastructure projects;
- Liberalization of business, increased lobbying capacity of business associations;
- Aggravating disputes with Russia and the resource base buildup at the expense of international investors.

Long-awaited stabilization

Belarus' GDP increased 2.4% last year to BYN 105,2 billion. Industrial output followed the overall positive trend with a 6.1% increase to BYN 93,0 billion, which was the highest rate over the past five years (2012–2017) and the long-awaited recovery after two years of decline (2015–2016). Out of the 17 items

that constitute the industrial production index (IPI), growth was reported in 15 positions, except for ‘production of vehicles and equipment’ (a 9.4% drop) and ‘production of coke and oil products’ (same as in 2016).¹ For comparison, in 2016, nine export items showed positive dynamics.

The processing industry, which accounted for 88% of the IPP (BYN 81,8 billion), increased 7.0%, among other things, thanks to the beginning of stabilization in oil refining, the second largest industry after food production in terms of output. In 2016, it dropped 16.8%, but, in 2017, the previous indicator was maintained. With a slight reduction in physical volumes of petroleum products exports (by 5.5%), it increased 32.1% in value terms to USD 5,337 billion. The UK was back to the top of the list of importers of Belarusian-made oil products, Ukraine being second. In 2017, British customers received oil products worth USD 2,234 billion, a 136.7% year-on-year increase.²

In terms of output, the food flavor industry led with BYN 23,051 billion reporting a 3.2% increase. Six industries, including wood processing (14.4%), and production of pharmaceuticals (10.1%) and chemicals (9.8%) were above the average in this respect.³

Agriculture, which showed good dynamics back in 2016, continued to grow last year. Output increased 4.1% to BYN 18,2 billion.

¹ «Индексы промышленного производства по видам экономической деятельности.» *Национальный статистический комитет Республики Беларусь*. Web. 9 Apr. 2018. <http://www.belstat.gov.by/ofitsialnaya-statistika/realny-sector-ekonomiki/promyshlennost/godovye_dannwe_prom/osnovnye-pokazateli-raboty-promyshlennosti/>.

² «Экспорт и импорт товаров в 2016-2017 гг. (6 знаков ТН ВЭД ЕАЭС).» *Национальный статистический комитет РБ*. Web. 9 Apr. 2018. <http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-okruzhayushchaya-sreda/vneshnyaya-torgovlya_2/godovwe_danne/eksport-i-import-tovarov-v-2016-2017-gg-6-znakov-tn-ved-eaes/>.

³ «Структура обрабатывающей промышленности.» *Национальный статистический комитет РБ*. Web. 9 Apr. 2018. <http://www.belstat.gov.by/ofitsialnaya-statistika/realny-sector-ekonomiki/promyshlennost/godovye_dannwe_prom/struktura-obrabatyvayushei-promyshlennosti/>.

Gross yields in crop production increased by 6.2% and livestock by 2.4%, satisfying processors' increasing need for raw materials. The agricultural sector boosted sales of meat on a carcass weight basis, production of marketable milk and all agricultural crops. In 2017, output of grain and leguminous crops increased by nearly 8 million tons, sugar by 5 million tons, and rapeseed 130% to 600,000 tons.⁴

Dairy factories, meat processing plants and other food producers generated USD 4,9 billion in revenues (a 16% year-on-year increase) including USD 2,3 billion in dairy, making foods the second largest export segment after oil products.

Around 90% of Belarus' food exports still fall on the Russian market. The diversification of sales markets remained slow. Food producers voice reasonable concern about trade barriers set up by the Russian Ministry of Agriculture and the Federal Veterinary and Phytosanitary Monitoring Service (Rosselkhoz nadzor).

Commodity exports, which allowed the real sector to survive the crisis and lay the groundwork for economic growth, grew by 24.0% in 2017 to USD 28,652 billion, according to the calculations made by the National Bank of Belarus (NBB). The rise in the domestic market led to a 23.3% increase in imports to USD 31,575 billion. The deficit of the trade in goods totaled USD 2,923 billion, having increased 16.4% against 2016. According to the National Statistics Committee of Belarus (Belstat), the country ran up a deficit primarily in trade with Russia (USD 6,791 billion) followed by China (2,381 billion). Exports to China dropped 23.3% to 362,7 million, whereas imports increased 28.8% to 2,743 billion.

Nonetheless, trade in services helped Belarus greatly to finish the past year with a surplus. Exports of services grew by 13.9% to USD 7,783 billion and imports by 9.3% to 4,797 billion, the surplus totaling 2,987 billion (an increase of 22.4%).

⁴ «Индексы производства продукции сельского хозяйства по категориям хозяйств.» *Национальный статистический комитет РБ*. Web. 9 Apr. 2018. <http://www.belstat.gov.by/ofitsialnaya-statistika/realny-sector-ekonomiki/selskoe-hozyaistvo/osnovnye-pokazateli-za-period-s-__-po-___gody_6/produksiya-selskogo-hozyaistva-po-kategoriyam-hozyaistv/>.

As a result, according to the NBB's balance of payments methodology, in 2017, the surplus in the trade in goods and services amounted to USD 63,2 million against a 70,6 million deficit a year back.⁵

Liberalization initiatives

Private businesses proved to be quite sustainable and showed a good capacity for development amid the recession that did not go unnoticed. Last year, the government came out with a dozen legislative initiatives to give a fresh impetus to private businesses and increase their share in the national economy. They saw private SMEs as the main source of jobs for public sector workforce released in recent years.

The authorities made a list of 18 lines of business, for which it is enough to notify local administrations to start operations. They include retail and wholesale trade, hotel and tourist business, household services, public catering, etc. The Emergency Ministry and sanitary and veterinary services are instructed not to intervene to exercise preventive monitoring.

The presumption of innocence is applied again to bankrupts. Founders and managers bear subsidiary liability only in case of fraudulent bankruptcy. A three-year moratorium was declared on tax increase and new taxes (except for excises). Extra payments may only be charged on liabilities no older than five years.

A renewed Entrepreneurship Development Council chaired by government chief of staff Alexander Turchin resumed activities in late 2017. It includes leading businessmen (owners of Santa Bremor and Savushkin Product, Tabak-Invest, Conte Spa, Amkodor and Marco among them). The Council will be delegated more functions to stimulate business activity that will make it stronger in terms of lobbying capacity. It will have the opportunity to submit proposals directly to the government and contribute to the polishing of draft regulatory acts.

⁵ *Информационно-аналитический сборник «Платежный баланс, международная инвестиционная позиция и валовый внешний долг Республики Беларусь» за 2017 год. Предварительные данные.* Минск: Национальный банк Республики Беларусь, 2017. 31. Print.

The announced liberalization, however, was accompanied by several arrests of big businessmen. The case of Vitaly Arbuzov, the owner of the automotive components manufacturer Fenox Global Group and co-founder of Fenox Venture Capital charged with tax evasion, was widely covered by the media.

Liberalization policy often contradicts the established practice of squeezing money from private businesses by fiscal and law enforcement agencies. It should be admitted, though, that many private businesses tend to stray into the gray market (the share of which in Belarus, according to the IMF, is over 30%) in times of crisis that gives grounds for prosecution.

Sectoral orientation

In search of new niches, which could substitute the public sector in raising revenues for the budget and become drivers of the national economy, the government promoted two infrastructure projects: the Chinese Industrial Park Great Stone and transport and logistics hub Bremino-Orsha.

After several years of stagnation, last year, Great Stone registered a record number of new residents, not only Chinese investors, but also Belarusian and European entities seeking to develop high-tech projects.

Private investors working in the industrial and logistical cluster Bremino-Orsha will likely be given a status similar to that granted to the Great Stone residents. Last year, they started the construction of one of the largest transshipment transport and logistics terminals between Europe and Asia.

The decree on the High Technologies Park was the main event of the structural reform of the Belarusian economy. Its special regime, which has been in effect since 2005, giving the residents considerable tax reliefs, was extended until 2045. New privileges were awarded to food companies. The list of businesses that make it possible to become residents of the High-Tech Park expanded to almost four dozen. There is a completely different pattern of relations between the state and investors in the IT industry now, including the introduction of legal institutions inherent to Anglo-Saxon law.

Investors dealing with blockchain, tokens, crypto currencies exchange and mining were given the green light. The decree also simplified visa and migration procedures applying to qualified specialists in order to create a world center of a new economy, and introduced measures aimed at de-bureaucratization of High-Tech Park operations and creating the most attractive conditions for global IT investors.

Conclusion

An increase in oil prices and a certain recovery of the Russian market (the key consumer of Belarusian industrial and agricultural products) were the main factors of the national economy growth. However, the heavy dependence on these factors makes economic growth unstable and problematic in terms of the planning of medium- and long-term investment programs aimed at increasing the competitiveness of private and public companies. Competitiveness on the domestic market is largely a result of protectionist policies, which got weaker in foreign trade in 2015–2016, when enterprises were concerned about survival, rather than development.

State-controlled and private companies of Belarus increasingly face similar measures taken by Russia to protect its domestic market. These measures are the toughest in relation to food supplies, which are often restricted, allegedly for failure to meet safety standards under the pretext of re-export of foods subject to the Russian embargo. With state support, enterprises are instructed to redouble efforts to approach new markets in line with the diversification policy. South-East and South Asia and Africa are considered a priority in this respect.

The sectoral development of the economy, in which less promising sectors turn out to be disadvantaged, can work provided that a quick enough return is secured. Otherwise, these projects will be regarded as a state budget drain and will be closed under the pressure of lobbyists from the traditional industries. The uncontrolled use of new technologies for illegal purposes would be the worst-case scenario. This could damage the image of some industries and the whole country.

The political confrontation between the West and Russia and the latter's worsened relations with Turkey force portfolio investors to reconsider their strategies and look for better options in other countries. Belarus is among them, and funds of international institutions become available to the public sector. Belarusian government bonds are of quite high interest on the world market. One private company created a precedent last year when it entered the European financial market.

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