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# BELARUSIAN YEARBOOK

# 2016

A survey and analysis  
of developments  
in the Republic of Belarus in 2015

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## EDITORIAL FOREWORD

*Belarusian Yearbook 2016* presents a comprehensive analysis of the key developments and current status of the main sectors of the state and society in 2015. Three processes determined the political agenda last year – the presidential election, normalization of Belarus’s relationship with the West, and the economic recession.

According to observers, the 2015 *presidential campaign* was not fundamentally different from previous campaigns to elect the head of state due to vote rigging and fraud. However, the conflict-free environment of the election and the release of political prisoners contributed to the normalization of Belarus’s relationships with the European Union and the United States.

Official Minsk’s most significant progress last year was in its *foreign policy*. Belarus’s neutral position on the conflicts involving Russia, its closest ally, which the country has maintained since 2013, grew even stronger in 2015. Minsk became a negotiating platform that welcomed a high-level diplomatic group of four countries (Germany, France, Russia, and Ukraine) in a bid to resolve the crisis in the east of Ukraine.

The Eastern Partnership summit in Riga was relatively successful for Minsk as well. The agenda for Belarus’s relations with the EU deepened and expanded, and Russia had to put up with Minsk’s growing autonomy in foreign policy and build relations with Belarus based on Minsk’s new status. Furthermore, Minsk seeks to strengthen its position internationally by promoting contacts with Asia, especially in the security sector, where collaboration with that region proved to be quite successful.

However, foreign policy progress did not help the authorities effectively address the main challenge – the degradation of the *socioeconomic system*. The lack of political will to introduce reforms alongside the wait-and-see attitude that replaces a strategic plan to develop the national economy aggravated the recession. The manufacturing sector, labor market, trade, and social sector were the most affected segments. New sectors that are little associated with the state – IT, telecoms, pharmaceuticals, etc. – succeeded the most.

The authorities chose to tackle the economic decline by tightening controls, demanding more money from business and citizens, and going back on their obligations. There were no other significant changes in Belarus's *internal policy* last year. At the level of *public opinion*, those developments – in the context of the economic crisis – affected the social optimism indicators.

Most of the authors of the *Yearbook* have little optimism about the future, seeing no prerequisites for overcoming the crisis in 2016. According to the *forecasts provided by the book*, the authorities still expect a positive change in the situation and believe their control and extortion measures have enough capacity. Therefore, the group of reformers, who made their first timid moves in the government in 2015, will hardly step up their activities in 2016. Structural reforms will be very unlikely, and the authorities will only try to mitigate imbalances, for example by selling some state assets and cutting directed lending.

Experts doubt that political institutions other than the president – the government, parliament, and courts – will increase their political weight. Therefore, their forecasts regarding the upcoming elections to the House of Representatives of the National Assembly remain skeptical – they are expected to be completely controlled by the state, while the lower house will be formed by nominees of the ruling class.

The *third sector* will hardly show any serious progress, as social pessimism and the invariably rigid framework for the operation of the private sector mean civil and political activity will not intensify in 2016. In Belarus's social policy, controls will remain amid further reductions of state obligations.

Positive forecasts only pertain to foreign policy: in 2016, Minsk's independence as an international player will likely strengthen; however, in the foreseeable future, this process will not have sufficient capacity for political institutions inside the country to be emancipated.

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

Contributing to *Belarusian Yearbook 2016* were independent analysts and experts, as well as specialists representing various think tanks, *including* the Belarusian Institute for Strategic Studies (BISS), the Research Center of the Institute for Privatization and Management, the Independent Institute of Socio-Economic and Political Studies (IISEPS), the Belarusian Economic Research and Outreach Center (BEROC), the Institute of International Relations (Warsaw, Poland), the Center for Social and Economic Research (CASE), *eBelarus* Research Center, the *Belarus Security Blog* analytical project, the Agency for Social and Political Expert Appraisal, and the website of the expert community of Belarus *Nashe Mnenie* ('*Our Opinion*').

# **STATE AUTHORITIES**

## **PRESIDENTIAL ADMINISTRATION: GUARDING THE BANKRUPT 'BELARUSIAN WAY'**

**Nikolai Burov**

### **Summary**

Throughout 2015, the Presidential Administration successfully blocked all attempts to carry out market or even pseudo-market reforms of the wrecked 'unique' Belarusian development model. The Administration sees the strengthening of control over the redistribution of diminishing resources and revision of the social contract as the only worthy strategy in the current situation. For the population, the social contract is narrowing to a minimum only sufficient to ensure the population's survival and the absence of war. For the ruling class, this means curbing appetites of most groups inside the political establishment, the increased use of punitive measures to guarantee loyalty, and the overall tightening of control.

### **Trends:**

- Skilful balancing between interests of various groups of officials in conditions of increasing scarcity of resources;
- Rejection of real reforming of the Belarusian model, reduction in social commitments of the state, and tightening of control;
- De-professionalization of the state machinery by limiting the inflow of new, progressive minds, closer supervision and fewer perks for public offices.

### **Election-2015: Full marks in the examination**

In 2015, the Administration basically focused on the preparation and holding of the presidential election. It was not a problem to secure the desired outcome. Those in charge have sharpened their skills to perfection. Minor considerations were only given to the question whether to showcase the record-breaking number of votes cast for the incumbent (83.49%), the highest in the history of sovereign Belarus, amid the mounting social and economic crisis, or keep it all down. The achievement of the world's recognition of the election was the problem.

Relations with the West had improved to a certain extent, in many respects thanks to the efforts to mitigate the crisis in Ukraine, the release of political prisoners and the absence of

a large-scale crackdown on the opposition as it was in 2010. Positive steps resulted in the lifting of sanctions. Although the Foreign Ministry is formally in charge of the negotiations on Ukraine and contacts with the West, the Administration and President Alexander Lukashenko personally directly supervised the process. As usual, all the credit for giving Minsk the status of a negotiation platform on Ukraine is given to the president.

The purge of the political field successfully carried out since late 2010 created most favorable conditions for the Administration during the 2014 election campaign, despite the difficult socio-economic situation. The relatively mild attitude of the authorities to the contenders for the presidency, their sanctioned media presence and the absence of mass protests helped to create the required background for the domestic legitimation of the election. On the other hand, the recognition of the predictable results by the presidential candidates (except Tatiana Karatkevich) was the minimum that allowed the EU to lift the sanctions imposed on the president and his entourage.

It should be emphasized that the domestic legitimation was primarily intended for outside observers. Since the 2011 crisis, when a sharp deterioration in the socio-economic situation in the country did not entail dangerous public unrest, the Administration has been less inclined to see efforts aimed at ensuring the population's well-being as an essential prerequisite for stability of the political regime. The conflict in Ukraine strengthened the Belarusian government's belief that the main threat can only come from external actors, while the domestic social contract may well be limited to "anything but war."

### **A new social contract**

To one extent or another, Alexander Lukashenko dedicated almost all his public speeches to the topic of the absence of war that became one of the key components of the state propaganda. The problem for the Belarusians is that it is not just about the pre-election rhetoric against the background of a dramatic drop in the living standards, but also about the content of that new social contract, which will determine the socio-economic development for at least Lukashenko's next term in office.

The Administration is concerned about the deterioration of the socio-economic situation not only because of the possibility of a public outcry, but also the growing discontent within the political establishment due to shrinking opportunities to capture available resources. In these circumstances, the search for new resources and redistribution options in order to secure the unshakable loyalty of subordinates is one of the key tasks of the Administration. For instance, it directly lobbies and controls import restrictions in favor of major trade networks. The monitoring and reporting is entrusted to presidential chief of staff Alexander Kosinets.

The years-long debates about possible reforms should be specifically viewed in the context of the search for new schemes of distribution of diminishing resources. It is noteworthy that the debaters do not publicly determine the format of reforms. Moreover, the population learns about reforms mainly from the president, who only speaks about increasing the costs the population will have to incur. The president thus demonstrates diehard conservatism when it comes to other potential reform areas.

Lukashenko has said many times that there is no need to change the growth direction, and that the chosen model is right. He spoke about that when introducing new Premier Andrei Kobyakov to the House of Representatives of the National Assembly on January 15, 2015, in an interview to the domestic and foreign media on January 29, at a meeting with the leadership of law-enforcement agencies on March 5, in his *address to the nation and the parliament* on April 29, when visiting the Minsk Wheel Tractor Plant on August 14, and during his inauguration on November 6, etc.

### **De-professionalization of management**

As one would expect, in full accordance with the Belarusian political tradition, the Administration divests the president and itself of responsibility for the stagnating economic development, shifting the blame onto the government. This was formulated during the introduction of Prime Minister Andrei Kobyakov to the House of Representatives on January 15. However, this



stunt cannot be easily pulled off to the full extent, among other things because the presidential talent pool is almost exhausted.

Making his *annual address* on April 29, President Lukashenko put forth an idea to appoint executives at fault to managerial posts at troubled companies. A number of personnel appointments of 2016 showed that the Administration failed to work out a sane HR policy or enlist relevant expertise. Yet another attempt to give way to young specialists and local initiatives was predictably reduced to mere slogans. It is to be recalled that the staffing support for the head of state is among the primary objectives of the Administration.

The shortage of qualified personnel is becoming a very serious problem for the Belarusian public administration system. This is due to several factors, such as the increasing control over executives (in addition to decree No. 5 of December 15, 2014, the control over the bureaucracy was tightened in 2015 under the pretext of a corruption sweep), shrinking resource base (including the outright refusal to increase civil servants' salaries), and increasing distrust in the available and, even more so, potential staff members on the part of the head of state.

Throughout the year, Lukashenko repeatedly spoke about the need to optimize (i.e. reduce) the state machinery by another 10% and give more powers to officials. However, the state machinery in Belarus has been 'optimized' so much that it can hardly be reduced again. Most likely, the financing of the lower and middle echelons will be cut, including that through minimizing the already few benefits.

Despite the increasing legislative pressure and continuous tightening of control within the vertical of the executive power, the president constantly accuses officials of failing to carry out many of his directives. This not always pursues propaganda purposes. Quite often, this reflects real problems of the underdeveloped institutional management, which is substituted by manual control, or concerns the intermediary role of the president and his Administration in the complex clan system of state administration in Belarus. Following Kosinets' visit to China on April 8–11, Lukashenko emphasized the necessity to enhance monitoring of the implementation of previous decisions

made within the scope of Belarusian-Chinese cooperation. The head of state had to admit that many of those decisions were either put on ice or implemented in an unusual way.

Directive No. 5 'On the development of bilateral relations between the Republic of Belarus and the People's Republic of China' issued August 31, 2015 can be regarded as a peak of the most detailed regulation of all domains by the Administration. Despite the fact that the directive was issued shortly before Lukashenko's visit to China, and that Belarusian-Chinese relations entered a challenging period, its narrowness and the circumstances of its issue, it stands in stark contrast to the previous *four* directives. In essence, it is about a significant devaluation of the institution of presidential directives and the need for more and more careful and detailed monitoring and intervention on the part of the Administration. Inevitably, the directive was not implemented, among other things regarding a number of formal matters.

### **... and boundless control**

At a meeting on the fulfillment of assignments on the development of Minsk held April 28, Alexander Lukashenko spoke about the poor discipline in the executive branch and strongly criticized (not for the first time) Minsk Mayor Andrei Shoret's performance. Many in the Belarusian establishment firmly believed that Shoret would be removed from office shortly after the presidential election. However, supported by House Speaker Vladimir Andreichenko, who lobbied Shoret's assignment to the Mayor's Office, the latter was granted some sort of indulgence. This also demonstrated what complicated maneuvering the Administration has to do to prevent a clash of interests of different clans in the state machinery.

In 2015, the Administration was highly active tightening control over officials and the country in general. Alongside a series of measures aimed at strengthening security services, presidential decree No. 3 'On the prevention of social parasitism' better known as the "decree on spongers" dated April 2. The decree was so unreasonable from a socio-economic viewpoint that even the Ministry of Labor and Social Protection resisted

its development for a while, cautiously calling its feasibility into question.<sup>1</sup>

However, the main purpose of the decree was not to recharge the budget by levying the tax, but to tighten control over the population in view of the looming massive decline in living standards. The document is meant to prevent an outflow of manpower when wages are dropping, because in addition to the payment of the tax, the ‘parasites’ will obviously have to explain the origin of funds for its payment. The decree can be considered as yet another confirmation of the Administration’s policy towards the actual termination of the social contract and minimum obligations of the state. A manual adjustment of the decree, if necessary, is assigned to the Administration.

In the crisis situation, the Administration chose the policy of tightening the screws typical of authoritarian regimes, thus making no steps to address the fundamental causes of the crisis. Obviously, the Administration will keep moving down this road.

### Filling vacancies

After over a *three-month* break in April, the vacancy of first deputy presidential chief of staff was finally filled by Constantine Martynetsky, former Council of Ministers chief of staff (from 2007 to December 2014). This appointment was quite a surprise for the Belarusian establishment, because first deputy presidential chief of staff is one of the few political posts (of course, as far as one can speak about political positions in the Belarusian political system).

Traditionally, the first deputy serves as a kind of counterbalance to the Administration, and supervises the ideology sector. Martynetsky is obviously unable to perform either of these functions, so he mainly focuses on organizational and economic matters in the Administration. His appointment confirms the course for greater control, tightening of the screws and absolutization of manual control methods shaped as far back as December 2014 when Alexander Kosinets took the office of presidential chief of staff.

<sup>1</sup> In particular, this doubt was voiced by then First Deputy Minister of Labor and Social Protection Pyotr Grushnik as far back as January 2014.

Kosinets actively interferes in the work of the ideological vertical, thus curbing the growing power of ideology chief, presidential aide Vsevolod Yanchevsky. In December 2014, the latter pushed *two* close associates of his – Igor Buzovsky and Nikolai Snopkov – to the positions of deputy chiefs of staff. Kosinets’ authoritarian management style even forced Alexander Lukashenko to act defensive when explaining the choice of this candidate in an interview to the Belarusian and foreign media on January 29.

The large-scale replacement of regional leadership started in 2013 continued last year. Reshuffles took place in the Minsk and Grodno regions in 2013 and in the Mogilev, Brest and Vitebsk regions and Minsk city in 2014.<sup>2</sup> Along with the replacement of the governors, there was a rotation of presidential aides, chief regional inspectors. In June 2015, the Gomel and Grodno regions received new curators from the Administration: Alexander Turchin (previously deputy chairman of the Minsk regional executive committee) and Sergei Rovneyko (previously ranking officer at the State Control Committee), respectively. Frequent rotations in district executive committees have long been a routine in Belarus. So, over *two and a half years*, the Administration significantly limited the opportunities for strengthening the regional elites.

### Conclusion

The current major economic and social crisis in Belarus is a consequence of the collapse of the chosen model of development. Nevertheless, the Administration remains the most consistent opponent of any reform and only sees a way out in an adjustment of the social contract for both the population and the bureaucracy. The growing discontent is being suppressed through control and repressive measures. Apparently, in 2015, the Administration did not exhaust the available tools to toughen these measures and control over the situation in the country.

<sup>2</sup> Chairman of the Gomel regional executive committee Vladimir Dvornik got off with just an administrative incompetence reprimand.

## THE KOPYAKOV CABINET: CIRCULAR FIRING SQUAD

Ina Ramasheuskaya

### Summary

2015 was a year of hope that the government would be able to become a driving force of reforms in Belarus having overcome the reluctance of the political departments to break the status quo. The replacement of the Mikhail Myasnikov Cabinet by the Andrei Kobyakov Cabinet, which many believe to be a more reform-oriented government, and also the suspense over the delayed formation of the government after the presidential election, gave reason for optimism.

Reviewing the year, it can be concluded that at least three groups with different ideas of the government's role in solving pressing problems in Belarus came up in the executive branch: (1) a group of reformers focused on the implementation of recommendations given by international organizations (IMF, World Bank), (2) a group of 'regulators' (security, defense and law enforcement agencies, Ministry of Trade and Ministry of Information) who see tightening of state control as a solution to social and economic problems, and (3) a group of conservatives pursuing a wait-and-see policy, i. e. maintaining the status quo, hoping for a change/return of the external environment to the most favorable state, including a rise in prices of oil and oil products, and economic growth in Russia and, accordingly, its increased purchasing power. As a result, the Belarusian government came to the year end the same way it entered it: in a state of strategic uncertainty.

### Trends:

- A divergence of interests of different groups in the government: *conservatives* who chose a wait-and-see stand, *regulators* who put an emphasis on strict control and tightening the screws, and *reformers* who want international institutions' recommendations followed;
- Expectation of new loans from the Asian region;
- Exacerbation of the crisis of confidence between business and the government;
- Irremovability of the government after one more presidential election;
- Suspension of negotiations with the IMF on future lending.

### Abeyance or credit *ex machina*

The appointment of the new government on New Year's Eve naturally gave rise to hope for a revision of the public policy

or, at least, the recognition of the need for such revision. The head of state himself was talking about "constructive and breakthrough" ideas to enhance the efficiency of the economy when introducing new Prime Minister Andrei Kobyakov.<sup>1</sup>

Indeed, the first steps taken by new head of the National Bank of Belarus Pavel Kallaur made it possible to curb the recession associated with the fall of the Belarusian ruble following the Russian ruble, and to wipe out the deficit of cash and non-cash foreign currencies typical of Belarus. However, tactical steps were not followed by strategic solutions.

The first *hundred days* of the new government were over. Then the first *six months* passed, but no breakthrough ideas were produced. The economic bloc leaders as always engaged in the usual rhetoric going on about support for entrepreneurship and fostering of small and medium businesses. However, during the March assembly of business circles, government officials and businessmen sat side by side on the podium thus remaining deaf to each other. The wrap up press release of the assembly documented a deepening crisis of confidence between the government and the business community.<sup>2</sup>

Since May-June 2015, the government has focused on what it is usually busy with: looking for external financing. Given that the promised Russian loans did not materialize, the government was enthusiastically listening to new promises, this time made by ranking officials of China and India during their visits to Belarus. At first glance, those visits seemed to be very rewarding: India declared the readiness to give Belarus a USD 100 million loan and China promised a whole bunch of more or less tied loans totaling USD 7 billion. All the loans were supposed to be utilized under joint projects with their national companies, though.

<sup>1</sup> «Лукашенко ждёт от правительства конструктивных прорывных идей для повышения эффективности экономики.» *БелТА*. 29 Dec. 2015. Web. 14 Mar. 2016. <<http://www.belta.by/president/view/lukashenko-zhdet-ot-pravitelstva-konstruktivnyh-proryvnyh-idej-dlja-povysheniya-effektivnosti-ekonomiki-62429-2014>>.

<sup>2</sup> «Эксперты: у белорусского бизнеса самые пессимистические прогнозы на 2015 год.» *Naviny.by*. 4 Mar. 2015. Web. 14 Mar. 2016. <[http://naviny.by/rubrics/economic/2015/03/04/ic\\_news\\_113\\_455013/](http://naviny.by/rubrics/economic/2015/03/04/ic_news_113_455013/)>.

Simultaneously, the Belarusian government was trying to reach loan agreements with the IMF and the EurAsEC Anti-Crisis Fund (Eurasian Fund for Stabilization and Development since June 15, 2015) pledging an updated program of structural reforms. Although neither of the two institutions denied the possibility of giving loans in general, as it usually happens in talks with the Belarusian leadership, the main question was what should go first, the money or reforms? Considering that the negotiations with both the IMF and the Eurasian Development Bank went through to the end of the year (and they were still going on as of this writing), a variant that would suit both sides has not been found yet.<sup>3</sup>

### Tightening the screws

While the heads of the economic bloc were talking about the need to support entrepreneurial initiative of small and medium businesses, in particular to separate the functions of owner and regulator, a number of ministries and departments were handling problems of the Belarusian socio-economic model using the safe and proven method of “tightening the screws.” Since the beginning of the year, the Ministry of Trade has been pursuing a zero tolerance policy in relation to business entities violating the trade and public catering regulations. Over the first *two* months of 2015 alone, legal entities and officials were fined over BYR 1 billion for breaking the rules.<sup>4</sup>

Enabled by presidential decree No. 567 of late 2014 to suspend operations and close trading, consumer-service and public catering companies, the Ministry of Trade inspected about 3,000 companies, suspended operations of 577 of them and closed *five* outlets.<sup>5</sup> The ministry was not happy about online

<sup>3</sup> «Евразийский банк развития не хочет предоставлять Беларуси новый кредит.» *Белрынок*. 4 June 2015. Web. 14 Mar. 2016. <<http://www.belrynok.by/ru/page/finances/277/>>.

<sup>4</sup> «За два месяца штрафы за нарушение в торговле и общепите превысили миллиард рублей.» *Naviny.by*. 16 Mar 2015. Web. 14 Mar. 2016. <[http://naviny.by/rubrics/economic/2015/03/16/ic\\_news\\_113\\_455540/](http://naviny.by/rubrics/economic/2015/03/16/ic_news_113_455540/)>.

<sup>5</sup> «Минторг в 2015 году приостанавливал работу 577 объектов торговли и общепита.» *TUT.by*. 4 June 2015. Web. 10 Feb. 2016. 14 Mar. 2016. <<http://news.tut.by/economics/484201.html>>.

stores indicating prices in foreign currencies and even spray-painted ads on pavements.

The ministry took an uncompromising stand against individual entrepreneurs and insisted on the execution of decree No. 222, which obliged the retailers to have certificates of compliance for each item they sell. The entrepreneurs argued that it was impossible to obtain all the required papers from the suppliers (mainly Russian), but the authorities kept pushing them out of the small-scale retailing sector. This led to a serious crisis and growing social tension as soon as early 2016.

The Ministry of Labor and Social Protection declared full support for decree No. 3 ‘On prevention of social parasitism’ issued in April. According to the decree, officially unemployed persons must pay a levy to compensate for their missing contribution to the state budget. Experts say the execution of this decree will cost much more than the unemployed would pay, not to mention that, according to human rights organizations, the decree violates the Constitution and a number of international treaties signed by Belarus.<sup>6</sup> Nonetheless, the Ministry of Labor repeated in all sharps and flats that the decree was totally reasonable thus stating that there were no preconditions to increase unemployment allowances, which currently amount to 20 euros in equivalent on the average.

### Dreaming about reforms

Starting from the second half of the year (to be more exact, after the presidential election of October 11), a number of high-ranking officials, mainly in the Ministry of Economy and the Presidential Administration, began speaking (cautiously choosing their words) about shortcomings of the existing socio-economic development model and offering reform scenarios.

During the first *three* months after the re-election, the president was making extremely vague and contradictory statements concerning the possibility of reform. A whole group of civil servants (the deputy minister of economy, deputy

<sup>6</sup> “Беларускі Хельсінкскі Камітэт звярнуўся ў Парламент з просьбай адмяніць “дэкрэт аб дармаедстве”.” *БХК*. 4 June 2015. Web. 14 Mar. 2016. <<http://www.belhelcom.org/node/19723>>.



presidential chief of staff and presidential aide for economic affairs among them) was trying to interpret those ambiguous statements together with independent experts. At a scientific conference on the socio-economic development forecast and management held October 23, presidential aide for economic affairs Kirill Rudy made a comprehensive critical overview of the 'manual control' of the economy in Belarus.

The valid criticism of the low efficiency of the economic management continued at the already traditional *October Economic Forum (Kastrыčnicki Ekanamičny Forum)* in 2015. Nikolai Snopkov, who moved up from minister of economy to the position of the second person in the Presidential Administration, however did not completely lost faith in the liberalization of the economy. He said that the vertical of executive power was inefficient in terms of the management of economic processes. According to Snopkov, this is largely due to the misalignment of objectives between the different levels of government. He however sees a solution in a unification of concepts, programs and objectives on all levels of public administration, rather than reform of local governance and real empowerment of local authorities as suggested by the *National Strategy for Sustainable Development*.

Snopkov was seconded by Kirill Rudy at the 2015 October Economic Forum. Rudy argued with himself in a report on the possibility or impossibility of structural reforms in the coming year. He said that not all of those "wearing European suits" adhered to European ideas, and all probable reformers would have to get along and find a common ground with security officials and Soviet-minded directors. Despite the criticism of the current model and advocacy of reforms (repeated more than once at various events till the end of the year), holders of key positions in the state machinery have to admit that the last word remains a prerogative of the head of state.

The reform suspense lasted for a while, because, according to the Constitution, the government officially resigns after a presidential election and acts as a caretaker until replaced or reappointed. Almost a *two-month* pause before the formation of government gave many experts a reason to hope that there were backstage talks on a new premier and key ministers, advocates of reform, that would be a clear signal that the political departments were ready to take decisive steps.

Besides, Belarus and the IMF were likely to agree on a new loan. The expert community believed that the Belarusian authorities would have to provide a feasible plan of structural reforms and support its implementation in order to obtain the loan. However, in mid-December, the government was fully reappointed, including the prime minister, and the negotiations with the IMF were put on hiatus.

## Conclusion

The new Belarusian government entered the year 2016 in the habitual waiting-for-a-miracle mode. A rise in oil prices and, accordingly, boosted oil refining profits could be such a miracle. Loans from the IMF and/or the Eurasian Fund for Stabilization and Development can also be a miracle (of lower grade, yet also desirable), especially if a plan of reform rather than concrete actions will be enough for the lenders.

Another miracle, which ranking managers particularly pray for, will happen if Russia will normalize relations with the European Union, the latter will lift sanctions and, consequently, the capacity of the Russian market will increase for the benefit of Belarusian suppliers of industrial commodities.

Since nothing suggests that these miracles will occur soon, the government is likely to dive into people's pockets to pump up the national budget among other things by increasing taxes, excises and duties, utility rates and fines for violations of trade and public catering regulations, and budget cuts saving money in every possible way like an increase in the retirement age and a reduction in maternity leave.

The reformers will probably keep seeking support from international and some independent research organizations. Most likely, their efforts will be limited to public speeches, a variety of reform plans and proposals. The probability of implementing these proposals will largely depend on how desperate the situation with public finances in Belarus will be in 2016, and whether potential lenders (the IMF and Eurasian Fund for Stabilization and Development) will be able to insist on economic reforms as opposed to political directives regarding the allocation of loans.

## NATIONAL DEFENSE IN THE CONTEXT OF REGIONAL THREATS

Andrei Porotnikov

### Summary

Last year's events outlined the future of Belarus' national defense system. Despite the economic recession, 2015 was quite a positive year: military training activities were intensive, new equipment was added to the armory, and arms supply contracts were the biggest over the past 24 years.

The national missile program was apparently successful. This year, Belarus is likely to obtain weapons that can be considered as a strategic deterrence tool. The defense industry remains the most dynamic sector of domestic engineering, although Belarus' defense expenditure is lower than that in the neighboring countries, including the Baltic States. The actual position of keeping equidistant from conflicting Russia and the West has become political.

### Trends:

- The strategic deterrence system has been actively created;
- Asian countries are being chosen as partners for political dialogue and security cooperation;
- The territorial defense segment is evolving into a functionally operative system;
- The alliance with Russia ceases to be a factor ensuring military security of the country. The eastern neighbor thus remains the main partner in the area of security.

### More than just politics

Without exaggeration, 2015 can be called a year of Asia for Belarus. Alexander Lukashenko held meetings with the leaders of major Asian countries – China, India, Pakistan and Vietnam. Alongside political and economic affairs, they spoke about security cooperation. Actual results were achieved with China, Pakistan and Vietnam.

The Belarusian-Chinese antiterrorist exercise *Swift Eagle 2015* took place on June 15–27 in the Brest region. In fact, the parties involved studied each other's training methods and warfare tactics applied by task forces.

Belarusian–Pakistani relations should be highlighted here as well. During Lukashenko's visit to Islamabad on May 28–29, the sides reached an agreement on military and technical cooperation. Interestingly, the state news agency *BelTA* did not cover the event, while a Pakistani source explicitly points at an agreement on cooperation in the field of defense production.<sup>1</sup>

Prime Minister of Pakistan Nawaz Sharif visited Belarus on August 10–12. *Both* countries' interest in mutual cooperation is strong, and defense is among the important matters.

The 'turn to Asia' is a strategic rather than opportunistic move, the goal being to gain greater autonomy from Russia and not to become dependent on the West, which the Belarusian leadership does not trust manifestly.

### Learn what can come in useful

The past year was full of army exercises. Those training events give an idea what threats the military and political leadership of the country thinks are real. The operational training in 2015 included:

- deployment of forces to the wartime status by calling-out of reserves, formation of new units armed and equipped from the stock;
- interaction between army and border guards to reinforce border security, prevent infiltration of sabotage and reconnaissance groups from a neighboring state, and organization of defensive actions by mechanized units in cooperation with border guards on a broad front;
- ambush actions, service at vehicle checkpoints, search and elimination of sabotage and reconnaissance groups;
- counter-sabotage operations, including those within the emerging organizational and staff structure of special operations forces with an aviation component (UAVs and helicopters), reconnaissance and electronic warfare units and search dogs;

<sup>1</sup> "Pakistan, Belarus agree on cooperation in defense, education, technology." *Prime-Minister's Office*. 29 May. 2015. Web. 9 Mar. 2016. <[http://www.pmo.gov.pk/press\\_release\\_details.php?pr\\_id=1004](http://www.pmo.gov.pk/press_release_details.php?pr_id=1004)>.

- counteraction to air reconnaissance, infiltration of terrorist groups, arms and materiel by air, repelling of group and single missile and air strikes;
- combat tactics in populated localities, interaction between the army and Interior Ministry troops. It was said that each operational command has training grounds imitating populated localities to practice combat in urban areas on a continuing basis.

All regions of the country were involved in the territorial defense training. The border reinforcement exercise held on June 2–18 near the border shared with Ukraine is worth to be mentioned specifically. Additional outposts were formed of the State Border Committee reserves together with territorial defense headquarters and a territorial defense company in the Yelsk district. The Interior Ministry and the KGB were involved in protection of critical facilities in Mozyr. The main task was to enhance the protection of the border by different law enforcement, security and defense agencies in the shortest possible time and organize effective interaction between them. In fact, the exercises were meant to work out general patterns that can be applied in any direction. The situation in Ukraine was only a pretext for the maneuvers.

### About a life in the old dog

Trainer airplanes L-39 have been replaced with Russian Yak-130 trainers since the last year. Pilots will complete their courses and then the old planes will be removed from operational use. Belarus received four Yak-130 jets in April. The air force made it known that Yak-130 is considered as a replacement for Su-25 (after a modification).<sup>2</sup>

A major arms purchase contract in the history of independent Belarus was announced in June: Russian Helicopters Design and Manufacturing Company will supply Belarus with *twelve* logistic support helicopter Mi-8MTV-5 on the same terms as for the

<sup>2</sup> «Беларусь планирует в ближайшее время закупить еще восемь Як-130.» *БелаПАН*. 28 Aug. 2015. Web. 9 Mar. 2016. <<http://belapan.by/archive/2015/08/28/797370/>>.

Russian army. The total amount of the transaction is over USD 100 million.

Ten MiG-29 fighters and two Su-25 trainers came back after repairs on December 1. It was unclear whether they were upgraded during the repairs, as the Russian manufacturers impede the modernization of the Belarusian planes.<sup>3</sup> Judging by media reports, serviceability of the mounted equipment was restored and the service life was extended. The planes were equipped with video registers of flight parameters, so it looks like there was no upgrade.

The long story of the supply of *four* Russian S-300 air defense battalions to Belarus finally ended last year. Belarus received the battalions, and Defense Minister Andrei Ravkov reported in September that the repair was almost completed.

### Military-Industrial Complex: Some problems are still there. Certain progress is achieved, though

In 2015, the Belarusian defense industry was working on the creation of unmanned aerial combat vehicles. This became possible as a result of the UAV *Burevestnik* project. The application range of *Burevestnik* is up to 290 km. It is designed to conduct real-time reconnaissance and aerial observation. Already during Alexander Lukashenko's visit to Turkmenistan on December 10–12, Belarusian manufacturers stated that the UAV was capable of carrying weapons.<sup>4</sup> It was also announced in December that Belarusian experts were involved in the creation of a Vietnamese long-range UAV HS-6L.<sup>5</sup>

The Belarusian side did not provide official information

<sup>3</sup> «Положение в области национальной безопасности и обороны (декабрь 2014 года).» *Belarus Security Blog*. 11 Jan. 2015. Web. 9 Mar. 2016. <<http://www.bsblog.info/polozhenie-v-oblasti-nacionalnoj-bezopasnosti-i-oborony-dekabr-2014-goda/>>.

<sup>4</sup> «Контуры. Итоги визита Александра Лукашенко в Туркменистан.» *ОНТ*. 13 Dec. 2015. Web. 9 Mar. 2016. <<https://www.youtube.com/watch?v=DjsZsVs8g00&feature=youtu.be&t=332>>.

<sup>5</sup> «Во Вьетнаме показали первый прототип беспилотника большой дальности полёта HS-6L.» *Военный информатор*. 13 Dec. 2015. Web. 9 Mar. 2016. <<http://military-informant.com/airforca/v-vetname-pokazali-pervyy-prototip-bespilotnika-bolshoy-dalnosti-poleta-hs-6l.html>>.

on the matter. HS-6L test results allow pilots to test domestic know-how in the creation of long-range vehicles.

2015 was a year of demonstrations of Minsk's missile ambitions. This is not only about surface-to-surface missiles, but also the ones for anti-aircraft guided missile systems.

Designers presented the first Belarusian multiple launch rocket system *Polonoise*. Little is known about its characteristics yet. It is a high-precision weapon designed to eliminate targets within a range of about/over 200 km. *Polonoise* almost surely uses missiles of Chinese manufacture, as evidenced by repeated tests of the system in China.

On June 15, Lukashenko heard a report by Minister of Defense Andrei Ravkov, who told the president "about the latest tests of missile and other systems created to protect the territory of Belarus."<sup>6</sup> Those "other systems" can among other things mean anti-aircraft missiles for the future surface-to-air missile system *Rapira*.<sup>7</sup>

In November, Lukashenko visited the High-Precision Electromechanics Plant, where achievements and objectives of the national missile program and plans for sophistication of the *Polonoise* system were publicly announced, and an anti-aircraft missile engine test bench was presented. The missiles were waiting for an upgrade for export. That test bench was a step towards the setting of Belarus' own production of engines for anti-aircraft and tactical missiles.

The showdown of achievements and stories about large-scale missile plans were distinctly an advertising or warning.

Back in early 2015, the State Military Industrial Committee of Belarus (SMIC) pointed at the poor cooperation between SMIC organizations and inadequate quality of defense products among the biggest issues. The inadequate quality was pointed at specifically during several important events.

<sup>6</sup> "Report of Belarus' Defense Minister Andrei Ravkov." *The Official Internet Portal of the President of the Republic of Belarus*. 15 June. 2015. Web. 9 Mar. 2016. <[http://president.gov.by/ru/news\\_ru/view/doklad-ministra-oborony-andreja-ravkova-11557/](http://president.gov.by/ru/news_ru/view/doklad-ministra-oborony-andreja-ravkova-11557/)>.

<sup>7</sup> "Belarus reveals purchase of Chinese A200 guided MLRS." *IHS Jane's Defence Weekly*. 23 June. 2015. Web. 9 Mar. 2016. <<http://www.janes.com/article/52493/belarus-reveals-purchase-of-chinese-a200-guided-mlrs>>.

The Committee's export aspirations are liked with the search for new markets. The problem of overdue foreign receivables became acute in 2015 as a consequence of high dependence on the Russian market.

In July, the agency determined priorities until 2020 highlighting five comprehensive systemic projects: fire-for-effect systems; mobility of weapons; military and civil unmanned aircraft systems; combat geo-information systems and integrated systems to counter high-precision weapons. The industrial output (works and services) is supposed to increase at least by 60% against 2015. Exports of goods are to increase by 50%.<sup>8</sup> A surplus of output growth over export growth means an increase in supplies to satisfy the needs of national security agencies.

### Force development and regional security outlook

Throughout the year, the Belarusian leadership was making statements regarding the future defense buildup and regional security. The government is guided by the assumption that the situation in Ukraine will remain a destabilizing factor in the region for a long time.<sup>9</sup> The increasing presence of NATO near the Belarusian borders is seen as a "certain danger", but not a military threat.

Addressing the army command staff in February 2015, Lukashenko outlined the military buildup as the main task of the army. Everything that can be upgraded must be upgraded, he said. He thus promised to allocate the required funding.

The president also demanded an iron discipline in the army. He voiced particular concern over the "creeping phenomenon of corruption, malfeasance in office ... a betrayal of the interests of the service." Lukashenko monitors these issues personally.

<sup>8</sup> "Goscomvoyoyprom worked out and approved a document in the mid-term: Belarusian Defence Ministry and Goscomvoyoyprom Development Programme till 2020." *State Military Industrial Committee of the Republic of Belarus*. 27 July. 2015. Web. 9 Mar. 2016. <<http://www.vpk.gov.by/en/news/4391/>>.

<sup>9</sup> «Равков: ситуация на Украине является долговременным дестабилизирующим фактором в регионе.» *Интерфакс-Занад*. 16 Apr. 2015. Web. 9 Mar. 2016. <<http://www.interfax.by/news/belarus/1182059>>.



The Belarusian leadership hopes for Russia's further help in security matters thus intending to rely on its own resources.<sup>10</sup> The president instructed to train the troops without looking at the Russian army.

The following main directions of the development of the Belarusian armed forces in the next *five years* were determined at a command staff meeting held October 30:

- an increase in the numeric strength through the involvement of control and support agencies;
- selective rearmament with a focus on control, reconnaissance, information warfare, camouflage, electronic warfare and air defense systems, missile forces and special operations forces;
- preservation of human resources;
- contribution to patriotic education;
- optimization of expenses to maintain the immovable property and materiel;
- enhancement of the efficiency of military training through the application of modern technical means and technologies.

Lukashenko thus stressed that Belarus would seek to maintain the existing balance of relations with Moscow and Kiev. "Whatever the situation may be, we must not be dragged into the confrontation between them," he said.<sup>11</sup>

### **Russia and Belarus: Friends are OK when the bases don't get in the way**

The fact that Russia failed to secure Minsk's consent to the placement of an airbase in Belarus was the main outcome of the bilateral relations in the defense sector last year. At the same time, Moscow remains a key partner of Belarus when it comes

<sup>10</sup> «Лукашенко: белорусская армия должна адекватно реагировать на нынешние вызовы и угрозы.» *БелТА*. 12 Feb. 2015. Web. 9 Mar. 2016. <<http://www.belta.by/president/view/lukashenko-belorusskaja-armija-dolzha-adekvatno-reagirovat-na-nyneshnie-vyzovy-i-ugrozy-153216-2015/>>.

<sup>11</sup> «Лукашенко: для Беларуси крайне важно сохранить выработанный баланс отношений с Москвой и Киевом.» *БелТА*. 30 Oct. 2015. Web. 9 Mar. 2016. <<http://www.belta.by/president/view/lukashenko-dlja-belarusi-krajne-vazhno-sohranit-vyrabotannyj-balans-otnoshenij-s-moskvoj-i-kiyevom-168497-2015/>>.

to supply of military products, repairs and modernization of weapons and equipment.

The question of the Russian airbase in Belarus was raised on the highest level in September. On September 2, the Russian government approved a draft agreement, which was apparently neo-colonial in all but name.<sup>12</sup> Russia not only was not going to pay for the lease of the facilities in question, but wanted the costs to be covered in part by the Belarusian taxpayers.

The airbase was planned as a number of military facilities in the territory of Belarus. "Air base" is just a collective name. The base could be used by any unit of the Russian armed forces, not necessarily servicing air defense facilities that would allow a deployment of a land grouping of Russian troops in Belarus under the guise of an air base.

As a result, the Belarusian government, which had long avoided making loud and clear comments, had to take a distinct position on the base. Alexander Lukashenko said on October 6 that "the placement of the Russian airbase in Belarus had never been on the agenda." On October 11, he once again spoke out against the base saying that Belarus was working on a missile weapon, which was more efficient than planes.

Defense Minister of Belarus Lieutenant General Andrei Ravkov seconded the president on October 22.

Foreign Minister of Belarus Vladimir Makei said on October 28 that the Russian airbase could exacerbate the situation in the region.

### **Conclusion**

Asian countries are playing an increasingly important role in ensuring Belarus' security primarily through the intensification of technological exchange and cooperation in the creation of advanced weapons.

The media coverage of the military training serves as a warning. The military is not only working on the rapid redeployment of forces to crisis areas, but also increasing them

<sup>12</sup> «Авиабаза: обнять "союзника" за горло.» *Belarus Security Blog*. 16 Sep. 2015. Web. 9 Mar. 2016. <<http://www.bsblog.info/aviabaza-obnyat-soyuznika-za-gorlo/>>.

in a very short time by calling out reserves and sending territorial troops.

Obviously, a decision has been made to allocate considerable (for Belarus) funds – about USD 70 million a year – to procure products of the domestic defense industry.

The political leadership of Belarus seeks to distance the country from the conflict between Russia and the West, thus maintaining strong ties with Moscow as a close partner in terms of national security.

## **REPRESENTATIVE BODIES: THE PARLIAMENT OF FOREIGN AFFAIRS AND MYASNIKOVICH'S SENATE**

**Dzmitry Kukhlei**

### **Summary**

Representation on the international stage and the ideological support of power remain the main functions of the Belarusian Parliament in 2015. The National Assembly continues to move in the direction of foreign policy which is defined by the Presidential Administration. Together with the attempts of the official Minsk to resolve the relationship with Western capitals, Belarusian MPs intensify their contacts with European MPs.

Feeble attempts of deputies to perform their main function in the legislative process through participation in initiating laws are still not welcomed by the Presidential Administration. The Belarusian Parliament may only correct decisions of the government and those of the Presidential Administration.

At the beginning of the year there was a significant reshuffle in the upper house of the Parliament. As a result of the appointment of the former Prime Minister Mikhail Myasnikovich to the post of the Speaker of the Council of the Republic the presence of this state institution in the public space significantly increased. However, the functions and the role of the chamber of territorial representation in the Belarusian political system have not changed. The price of staying in the Council for big business is reviewed and enhanced.

### **Trends:**

- Some attempts of MPs to participate in the legislative process through the initiation of legislation are constrained by the presidential administration;
- Belarusian parliamentarians demonstrated willingness to negotiate on issues of concern to expand contacts with their Western colleagues;
- Belarusian authorities are trying to create additional inter-parliamentary bodies in the former Soviet Union to advance their economic interests on the Russian market;
- Senators engaged in big business are driven out of the upper house of the Parliament as a result of corruption scandals.

### **Extraordinary session in the year of presidential election: intrigue remains**

In 2015, deputies gathered for session three times – early in the year the Parliament was convened for an extraordinary session.

The necessity to obtain the consent to the appointment of Andrei Kabiakoŭ as Prime Minister was declared an official occasion of the sixth convocation of an extraordinary session in January. In similar conditions in 2010 at the extraordinary session the deputies adopted the decision on appointment of the date of the presidential election, which were held earlier than the possible deadline. Perhaps the authorities seriously considered the possibility to postpone the elections.

In his first inaugural speech almost six months before the announcement of the start of the presidential campaign, the newly appointed Speaker of the Council of the Republic Mikhail Myasnikovich urged senators to rally around the current president and support him at the election.<sup>1</sup> However, the Belarusian leadership decided not to postpone the election date so far, and the president had to average such statements regularly.

### **The upper house of the Parliament: senators from big business are non grata**

Belonging to the Belarusian business elite and holding an honorable place in the Council do not guarantee any protection from prosecution in corruption cases, when the state faces significantly reduced resources. The mechanism of release from prison lies in the compensation for the losses of the state — usually on a large scale, and in return, the president shall issue a decision to pardon a disgraced senator.

The owner of the group of companies *Biocom*<sup>2</sup> Andrei Paŭloŭski became the *third senator*, who for the past *two years* had been deprived of inviolability in connection with corruption cases. In October 2015 Paŭloŭski was detained by the KGB and was under arrest for one month. The businessman was released after he had compensated damage to the state in the amount of USD 20 million.

<sup>1</sup> «Новый спикер Совета Республики Михаил Мясникович призвал “сплотиться вокруг нашего лидера — Александра Лукашенко”». *TUT.BY*. 16 Jan. 2015. Web. 18 Mar. 2016. <<http://news.tut.by/politics/431635.html>>.

<sup>2</sup> Biocom Ltd. is a leading supplier of innovative veterinary and zootechnical products which are both home and foreign manufactured to the Belarusian agricultural market. — *Translator's note*.

In 2014 Anna Shareyko, a senator and the head of a high-earning poultry farm was arrested and throughout 2015 she was under investigation for corruption. She was not released, stayed in jail as most likely she refused to accept certain rules of the game.

At the same time in the upper house of the Parliament there are two more representatives of big business — Mikalaj Martynaŭ, CEO of *Marko*<sup>3</sup> and Aliaksandr Ёбакucin from *Amkodor*<sup>4</sup>. Perhaps the arrests with further paying of protection money by senators-businessmen who got into the specific though the highest elected state institution, are a warning to big business and to its representatives to refrain from entering into the political sphere. Due to the significant reduction in resources the state can only use repressive mechanisms to maintain loyalty. It is not excluded that other lobbying groups decided to remove the competitors against the background of normalization of relations with Western capitals.

### **Legislative activity: under the thumb of the Administration and the government**

None of the bills reported in 2015 was rejected by the House of Representatives, a number were sent back for revision. In general, during the first reading 57 draft laws were adopted and during the second reading — 102. The plan of preparation of bills for 2015 included 32 draft laws and one concept which were selected from 115 proposals (28%).<sup>5</sup> This is slightly different from previous years and captures the relatively stable trend in the number of planned bills (about 30–40).

<sup>3</sup> ‘Marko’ Company is the leader in footwear production in the Republic of Belarus. — *Translator's note*.

<sup>4</sup> ‘Amkodor’ holding is one of the leading manufacturers of road construction, utilities, snow removal, airport, timber, agricultural and other specialized machinery and equipment in Republic of Belarus and CIS countries. — *Translator's note*.

<sup>5</sup> «Указ Президента Республики Беларусь от 13 февраля 2015 года № 55 “Об утверждении плана подготовки законопроектов на 2015 год”». *Национальный правовой интернет-портал Республики Беларусь*, 13 Feb. 2015. Web. 18 Mar. 2016. <<http://www.pravo.by/main.aspx?guid=3871&p0=P31500055>>.

The deputies, as usual, do not show initiative in lawmaking. Out of the total number of deputies of the Parliament only 8 proposals were received, of which only two were selected for the draft laws. Deputies took the initiative to participate in the preparation of the draft law in two cases – concerning the improvement of the law on tourism and amendments to certain codes.

The highest activity in the sphere of legislative initiatives traditionally belongs to the government: out of its 47 proposals almost half (21) was selected. They are basically the draft laws in the sphere of the legislation on entrepreneurial business activities. While virtually all the laws in the sphere of financial and credit system (10) were proposed by the president.

Preparation of draft laws remains the responsibility of the government and the Presidential Administration (through a subordinate administration of the National Center of Legislation and Legal Research). In some cases, the Supreme Court, the General Prosecutor's Office, the State Committee of Forensic Examinations and the National Bank join the development of the documents.

It should be noted that at the end of the year, the Parliament adopted a law on public-private partnership, which originally was not included in the 2015 action plan. That shows the willingness of the Belarusian authorities to make certain changes in the existing model under the pressure of narrowing the financial capacity to attract additional foreign investment to the country. The reconstruction of road section M10 with a total investment of USD 350 million with the involvement of the European Bank for Reconstruction and Development and International Finance Corporation is seen as a pilot project. However, it is doubtful that in the near future the authorities will find an appropriate form of involving private domestic business, especially small- and medium-size, in the development of national infrastructure.

Traditionally, the Constitutional Court did not see contradictions in laws adopted by the Parliament, after checking more than fifty regulations in 2015. However, in its annual message the Constitutional Court drew extra attention of lawmakers to the preservation of the right of Belarusians to

live in dignity and avoiding “the distortion of the essence of the welfare state”.<sup>6</sup>

### **It is not the Council that makes the Speaker, but the Speaker that makes the Council**

During the year the public activity of MPs remained high, particularly that of the leadership of the chambers aimed at popularization of the decisions of the authorities among the population. The deputies not only regularly met with voters in their constituencies, but also appeared in the media to discuss the most resonant decisions. The undisputed leader in media appearance is the ex-Prime Minister and Speaker of the upper house Mikhail Myasnikovich. He appeared almost daily in the media with various information, which differs him greatly from his predecessor, Anatoly Rubinov.

Mikhail Myasnikovich is active in work with government officials; he remains a public figure and holds meetings on economic issues. He continues to perform many of his former government functions and meets with diplomats discussing the possibilities of investment cooperation and supplies of Belarusian products.

It should be noted that after the resignation from the post of Prime Minister Myasnikovich headed the monitoring group on measures for development and economic growth. A year later he even presented a book under his authorship on the development prospects of the national economy. There Myasnikovich supports the idea of ‘structural reform’ and creating of a high-tech sector, which, however, is encouraged to perform using the old methods in the framework of prescriptive management. Despite some ‘market’ statements about the economic reform during the year, the Speaker of the Council of the Republic repeatedly spoke out in support of the ridiculous initiative on collection of value added tax from parcels from abroad.

<sup>6</sup> «Послание Конституционного Суда Республики Беларусь “О состоянии конституционной законности в Республике Беларусь в 2015”».» *Конституционный суд Республики Беларусь*, 20 Jan. 2016. Web. 18 Mar. 2016. <<http://kc.gov.by/main.aspx?guid=25695>>.

Despite Myasnikovich's publicity and constant presence in the media, he was not included in the list of trusted people for the presidency. Most likely, the president did not want to be associated with the former head of the government, during whose work there was a significant reduction in population income. While in the presidential election among Lukashenko's confidants there were a few representatives of the lower and upper houses of the Belarusian Parliament, including the Speaker of the House of Representatives Vladimir Andreichenko.

It should be noted that the Parliament was allowed to have alternative views on personnel policy of the Presidential Administration. At the end of the year, 102 MPs voted for the re-appointment of Andrei Kobyakov as Prime Minister, and four opposed.

### **Foreign policy initiatives: to get into PACE, to create Eurasian Parliament**

Belarusian parliamentarians traditionally have full-fledged inter-parliamentary ties with their colleagues on the post-Soviet territory in the framework of various structures. Together with the attempts of the official Minsk to resolve communication with the European capitals in 2015 there is also intensification of contacts with the European inter-parliamentary structures.

The OSCE remains the only pan-European organization where the Belarusian Parliament has full representation. Belarusian parliamentarians participated in several other regional inter-parliamentary European structures. For example, Belarusian delegations are regularly invited to participate in forums of parliamentarians of the Council of the Baltic Sea States and in sessions of the Organization of the Black Sea Economic Cooperation.

The official Belarusian delegations slightly softened their reaction to criticism from European officials and demonstrated their willingness to dialogue on issues of human rights. Earlier, Belarusian parliamentarians used to deny the existence of problems with democracy in the country and rejected all the claims on this account of their European colleagues.

Representatives of the OSCE PA participated in monitoring the presidential election in the framework of a short mission. At least 40 parliamentarians from different countries received an invitation to participate in observing the presidential election. The Belarusian authorities were actively seeking ways to communicate with the short-term OSCE observer mission and expressed satisfaction with the cooperation.

Since the beginning of the year, Belarusian parliamentarians have started efforts to restore a special guest status for Belarus in the Parliamentary Assembly of the Council of Europe, which was welcomed by the PACE through the resuming of a dialogue and close cooperation. Belarus was visited by PACE Rapporteur Andrea Rigoni, the Belarusian MPs took part in some of the activities in the Council of Europe, including the work of the Committee on Political Affairs. At the same for the first time since 2001, PACE representatives had the opportunity to observe the election in Belarus.

At the meeting with the previous mission of observers from PACE, the Speaker of the lower house of the Parliament Vladimir Andreichenko confirmed interest in developing a dialogue with Europe.<sup>7</sup> Although the speaker of the lower house of the Parliament was included in the list of people subject to EU restrictions on entry and existence of Bank accounts.

However, parliamentarians did not show their willingness to carry out the only condition (moratorium on the death penalty) to return the status. A moratorium may be imposed both by the parliament and the president. However, according to Belarusian deputies, the abolition of the death penalty is unpopular not only in the society but also in the Belarusian Parliament.

On the international arena Belarusian parliamentarians adhere to the positions agreed with Russia on issues that affect the interests of the Kremlin. At the 24<sup>th</sup> summer session of the OSCE PA in Helsinki the Belarusian delegation refused to support the resolution on condemnation of Russia's actions against the Crimea.

<sup>7</sup> «Новый спикер Совета Республики Михаил Мясникович призвал «сплотиться вокруг нашего лидера – Александра Лукашенко».» *TUT.BY*. 8 Sept. 2015. Web. 17 Mar. 2016. <<http://news.tut.by/politics/463580.html>>.



At the same time the Speaker of the Council of the Republic Myasnikovich supported the idea of President Vladimir Putin to hasten the creation of the monetary Union of the EEU, which is at variance with president Lukashenko's statements. It should be noted that the head of Belarus repeatedly stressed his negative attitude to the introduction of the single currency.

In 2015, the 48<sup>th</sup> summer session of the Parliamentary Assembly of the Union of Belarus and Russia took place in Hrodna. Belarusian authorities continue to use bilateral inter-parliamentary structures to defend their interests in dialogue with the Kremlin. In this case the Belarusian leadership would like to have an additional mechanism of protection of their interests in the removal of restrictive barriers to access to the Russian market and obtain other advantages from cooperation with Moscow. Thus, Myasnikovich took the initiative of creating a parliamentary dimension of the Eurasian integration.

The official visit of the Belarusian parliamentarians to Kazakhstan resulted in signing of an agreement on cooperation between the Chamber of Representatives and the Mazhilis of the Parliament. Again this extends the joint coordination of actions of the official Minsk and Astana in case of any increase in the integration pressure from the Kremlin.

### **Local authorities: self-government in the service of public utilities, and councils under the auspices of Minsk**

Along with a reduction in the budget, local government intensified the process of promoting the development of street and house committees, the homeowners association. However, the authorities see in these nominal self-government authorities an additional mechanism of compensation instead of reduction of social guarantees of the state to population. Functionally, street and house committees must take on some responsibilities for housing, utilities and provide an additional tool for mobilizing the population for cleaning of urban areas without expanding its powers of self-government.

Before the beginning of the presidential campaign, the head of the state Alexander Lukashenko at a meeting with Myasnikovich, the head of the Council, emphasized the

importance of the advocacy role of local deputies during the election.<sup>8</sup> However, the local authority of deputies, as well as that of parliamentarians, among the population is likely to hurt the president's rating. According to the IISEPS poll, the confidence rating of local councils and the Parliament continue to occupy the same low positions among other state and public institutions – 31.5% and 30.3% in December 2015.

Under the influence of cooperation with international foundations, local authorities are becoming more open to society structures. Representatives of youth parliaments meet regularly with the chair-people of local executive committees and district councils of deputies, with the heads of the education department. Also, these youth organizations can participate in or even be the initiators of various environmental, sports or cultural projects in partnership with international foundations.

### **Conclusion**

Even low ratings and reduced function of the opposition, its minor role in the political system, is not likely to persuade the president to make a decision about changing the election rules for the parliamentary election of 2016.

At a time when the country is rapidly sliding back to where it was in the mid-1990s, to give a chance to any opposition politician to use the parliamentary platform as a springboard for his/her political career would be imprudent for the former opposition leader, who has ruled the country for the fifth term.

Most likely, the president will doubt the loyalty of big business in a situation where there are fewer opportunities to get the same income and the redistribution of financial flows against the background of the systemic crisis of the Belarusian economic model. In such circumstances, the danger may be connected to the presence of business people even in the 'decorative' upper house of the Parliament.

<sup>8</sup> «Доклад председателя Совета Республики Михаила Мясниковича.» *Официальный интернет-портал Президента Республики Беларусь*. 6 Apr. 2015. Web. 18 Mar. 2016. <[http://president.gov.by/ru/news\\_ru/view/doklad-predsedatelja-soveta-respubliki-mixaila-mjasnikovi-cha-11167/](http://president.gov.by/ru/news_ru/view/doklad-predsedatelja-soveta-respubliki-mixaila-mjasnikovi-cha-11167/)>.

## TRANSPARENCY OF GENERAL JURISDICTION COURTS: NOT ALWAYS, NOT FOR EVERYONE

Oleh Fedotov

### Summary

The transition period (2014) did not see a significant improvement of the transparency of the reformed general jurisdiction court system in 2015. Apparently, the former ‘general’ courts did not even seek to achieve the degree of transparency of the ‘pre-reform’ economic courts. The unified Supreme Court did not inherit the policy of ensuring the transparency of courts subordinate to the liquidated Supreme Economic Court, neither in terms of the availability of general information about courts’ activities, nor court rulings in the public domain.

There was some progress in the public awareness of courts’ activities last year, though, but the most sensitive information is still only disclosed in case of a stir among the public.

### Trends:

- The transparency of the courts of general jurisdiction is fragmentary without any visible common plan;
- Public disclosure is predominantly ‘reactive’, rather than ‘proactive’, despite the presence of the courts on the Internet;
- A small number of court rulings is released to the public domain, thus nothing suggests that there will be more of them in the foreseeable future;
- Information about ‘political’ trials usually comes in response to discourses on social networking websites and in the web-based media.

### Introduction

Two years passed since judicial reform took effect (from January 1, 2014 to January 1, 2016), so it makes sense to focus on the transparency of the already reformed courts of general jurisdiction in 2015 (bearing in mind that the year 2014 was a period of ‘transition’<sup>1</sup>).

**The overall situation:** The reformed system of courts of general jurisdiction has all components of the online and

<sup>1</sup> See Fedotov, Oleg. “Reform of the Judicial System in the Tradition of ‘Cosmetic Repairs’.” *Belarusian Yearbook 2014*. Vilnius: Lohvinaū. 46–56. Print.

offline infrastructure providing transparency of judicial activities: (1) specialized magazines; (2) the site of the Supreme Court of the Republic of Belarus and courts of general jurisdiction *court.by* and websites of all regional and the Minsk city court; (3) computerization of all courts, and (4) a departmental network, or at least access to the Internet; (5) presence of the robust communication with the National Center of Legal Information (NSLI), the largest national media outlets and news agencies.

### Openness or ‘controlled leak’?

**The presence of courts on the Internet.** Courts continued and considerably expanded communication with the media through Facebook in 2015, basically by posting links to the materials published on *court.by*, schedules of court hearings and accreditation of media reporters there, results of high-profile trials, and also by reposting news published on the websites of regional courts and accounts of regional and district court officers, and communicating with journalists and representatives of the third sector.

However, spokespersons’ accounts meant to ensure the transparency of courts of general jurisdiction are not presented as official pages of the spokespersons (press offices), and the owners of the accounts did not seize the opportunity to obtain the public figure status (a *profile verified by Facebook* as an authentic profile of a public figure). This ‘flexible’ approach to the policy of transparency allows the courts’ leadership to avoid disputable situations referring to the unofficial status of *Facebook* accounts of their spokespersons (who are, by the way, not named on the official website *court.by*) and disclaim all responsibility for any negative impacts on the media.

The compilation and publication of a list of *persons in charge of the interaction with the media in court* (previously a.k.a. ‘communicators’<sup>2</sup>) by the Supreme Court in 2015 was a step forward in this regard. However, the performance of those

<sup>2</sup> «Контакты Верховного Суда.» *Официальный портал системы судов общей юрисдикции*. Web. 24 Feb. 2016. <[http://court.by/justice/press\\_office/contacts/](http://court.by/justice/press_office/contacts/)>.

persons is quite doubtful so far. The 142 district courts number 148 ‘communicators.’ Seven regional courts have eight and seven economic courts have 11. The Supreme Court has a press office and an editor of the official website of the courts of general jurisdiction *court.by*.

The positions held by the ‘communicators’ are quite important. As many as 113 of them employed by district courts were renamed ‘chief experts’, 28 became ‘assistants to the president of court’, five ‘documents control officers’, and two ‘court (or court session) secretaries.’ However, their open profiles on Facebook suggest that these ‘chief experts’ work for the organizational support departments, rather than press offices, which, most likely, will never be formed at the district courts.

Acting as regional courts’ communicators are assistants to the president of court (1), section chief/chief expert/department chief/leading or chief expert of the departments of organizational support for judicial activities, judicial practice statistics and analysis, individual appeals, and criminal cases. Acting as economic courts’ communicators assistants to the president of court (2), leading or chief experts, heads of the departments of statistics, organizational support for judicial activities, organizational and personnel management, and documentation management. It can be assumed that well-informed officers of overburdened courts, who are busy with other work and used as the ‘communicators’ will be hardly able to ensure awareness of the public and the media of activities of a particular court to the full extent.

The analysis of the websites of the courts of general jurisdiction (*court.by* and those of the regional and the Minsk city courts) leads to the following conclusions concerning public awareness of last year’s judicial proceedings. In most cases (such news can hardly total over three hundred in all courts) it was about corruption, high-profile murders (with death sentences in some cases), economic offenses, drug dealing and organized crime.

At the same time, sporadic information about ‘political’ trials came in response to discussions in social networks (including the account of the Supreme Court press secretary) and on

media websites.<sup>3</sup> With few exceptions, the pieces of news were insignificant and small only providing (at best) extracts from substantive provisions of judicial acts and case facts in brief (except for the Lohvinaŭ Publishing House case).

Most of the courts’ websites are pretty much alike as they offer brief statistics on activities of territorial units in 2014 and the first half of 2015 (sometimes a trimester or a quarter) and sketchy examples of generalized judicial practice (except for some regional courts in both cases). Considering that the regions number 18 to 25 district (city) courts, and the economic courts hear first and second instance cases of the entire region (Minsk), the coverage of trials (their results) and examples of the generalized practice is not enough to reflect the whole palette of legal disputes that took place in Belarus in 2015 (as many as 20,620 sentences were handed down over the six months aside from other activities).

Nevertheless, 2015 was a kind of a breakthrough year in terms of public awareness. Over the first six months, courts published *proceedings guidelines* previously available in the legal reference system Etalon-Online on a paid basis. *Supreme Court proceedings guidelines* were published for the *first* time. Economic courts’ *session schedules* were published as before, but this time schedules of sessions of all judicial boards of the Supreme Court became available. The access to their archives, except for the board on intellectual property and economic affairs, was still restricted.

In 2015, the public disclosure of the results of *disciplinary proceedings* against judges can be generally characterized as unwillingness to “wash dirty linen in public.” In *two* cases, such information (a reprimand to a judge for a disclose of personal information of a convicted transsexual to a journalist, and dismissal of a president of court, his deputy and a number of judges of the Minsk Economic Court) was released to the press in response to the extensive discussion of those events and the grounds for the punishment in social networks and on

<sup>3</sup> See, for instance, the trial *Narodnaya Volya* newspaper vs. Ministry of Information; imposition of administrative sanctions on Lohvinaŭ Publishing House; changed judicial restraint in relation to former presidential candidate Nikolai Statkevich.



media websites. Prior to that, in such cases, the press office of the Supreme Court never explained particular reasons for dismissals of other judges, including those of the Supreme Court.<sup>4</sup>

In general, the analysis of websites of the courts of general jurisdiction suggests that in 2015, the seemingly adequate electronic transparency was ensured by the publication of news about personnel reshuffles, dates of personal appointments, bankruptcy cases, the 'Questions & Answers' column, interviews with judges, etc.

### Publication of court rulings: deeds do not match words?

Judges of different ranks have been talking about the necessity to publicize judicial decisions recently.<sup>5</sup> First Deputy Chairman of the Supreme Court Valery Kalinkovich said that the publication of relevant and important legal acts would be more extensive, especially in the second half of 2015.<sup>6</sup> However, judging by Etalon-Online<sup>7</sup>, the sending of judicial decisions to the National Center of Legal Information of Belarus did not change the *status quo* in building public awareness in 2015.

For reference: The year 2014 totaled 39,269 sentences, 282,842 rulings on administrative offence cases (and 8,732 by economic courts); 238,875 rulings on civil cases and 26,917 on economic cases (first instance). These numbers in the first half

<sup>4</sup> Supreme Economic Court Judge Margarita Posled by decree No. 183 of April 23, 2014, Chief Justice, Judge of the Klichev District Court Alexander Komar by decree No. 587 of December 31, 2013, etc.

<sup>5</sup> See the theses of T.A. Vysotski, S.M. Kulaka and T.V. Voronovicha in «Материалы V Международной научно-практической конференции «Информационные технологии и право».» *Нац. центр правовой информации*. Web. 24 Feb. 2016. <<http://www.pravo.by/Conf2015/collection.html>>.

<sup>6</sup> «Валерий Калинкович: Реформирование судебной системы в Беларуси продолжится.» *БелТА*. 18 May 2015. Web. 24 Feb. 2016. <<http://bit.ly/1L8T7Ho>>.

<sup>7</sup> The legal reference and information retrieval system Etalon was created and is owned by the National Center of Legal Information of the Republic of Belarus.

of 2015 were at 20,620; 150,963 (6,300); 117,314 and 15,304, respectively.<sup>8</sup>

The 'district court' request on the Internet (as of February 23, 2016) forwarded to 197,223 and 80 rulings, respectively for 2015, 2014 and 2013; 'regional court' 82 (2015), 7 (2014), 13 (2013); 'municipal court' 13 (2015), 3 (2014); 'Supreme Court' 24 (2015), 22 (2014); 'Economic Court of the Brest Region' 64 (2015), 17 (2014); 'Economic Court of the Vitebsk Region' 69 (2015), 48 (2014); 'Economic Court of Minsk' 47 (2015), 22 (2014); 'Economic Court of the Grodno Region' 47 (2015), 28 (2014); 'Economic Court of the Minsk Region' 88 (2015), 62 (2014); 'Economic Court of the Gomel Region' 27 (2015), 18 (2014); 'Economic Court of the Mogilev Region' 97 (2015), 53 (2014).

The number of search results by the keywords 'court of appeal of the Economic Court of the *N* region' in 2015 ranged from 15 (Grodno region) to 45 (Vitebsk region), and from 5 to 25 in 2014. Among the highest courts, the 'judicial collegium for civil cases of the regional court' stands out with 115 in 2015 against 62 in 2014, together with the 'judicial collegium for economic cases of the Supreme Court' with 7 in 2015 against 287 in 2014 and 'judicial collegium for criminal cases of the Supreme Court' with 65 and 55, respectively.

The results of this research are partly seconded by the director general of LLC *YurSpektr* (Belarusian reference legal system *Consultant Plus*), who said that in 2015, Consultant Plus "received about 30 files of the [economic] courts a week", although the users needed more.<sup>9</sup>

<sup>8</sup> «Краткие статистические данные о деятельности судов общей юрисдикции за 2014 год.» *Официальный портал системы судов общей юрисдикции*. Web. 24 Feb. 2016. <[http://court.by/justice\\_RB/statistics/archiv/b626dd43c68be55d.html](http://court.by/justice_RB/statistics/archiv/b626dd43c68be55d.html)>; «Статистические данные о деятельности судов за 1-е полугодие 2015 года.» *Официальный портал системы судов общей юрисдикции*. Web. 20 Feb. 2016. <[http://court.by/justice\\_RB/statistics/](http://court.by/justice_RB/statistics/)>.

<sup>9</sup> Сломонец, О.В. «Актуальные вопросы и перспективы предоставления отдельных видов правовой информации в Республике Беларусь.» *Материалы V Международной научно-практической конференции «Информационные технологии и право»*. Web. 24 Feb. 2016. <<http://www.pravo.by/Conf2015/collection.html>>.

As in the previous years, it is clear that there is no structured approach to the provision of access to judicial acts for the general public and professionals. The explanation that rulings issued in 2015 are few, because it takes time to put them in force, is rejected by judges themselves. According to Kalinkovich, appeals are only filed against about 20% of sentences (in the first instance) and about 1% of rulings on administrative matters.<sup>10</sup>

## Conclusion

The analysis of the quality and transparency of courts of general jurisdiction in 2015 shows that the Supreme Court is unable to adopt the best, or at least acceptable methods of ensuring transparency in the system of the former economic courts, and also the reluctance to establish any reasonable time period for upgrading the official websites of the regional courts. Courts of general jurisdiction still disclose the most sensitive information only in response to strong public reaction to events (incidents), rather than prior to public debates. The presence of some courts' spokespersons in social networks is a good thing, but their statements are not official, and the published information only follows certain developments being 'reactive', rather than 'proactive.'

Due to the Supreme Court's policy towards ensuring the transparency of courts of general jurisdiction<sup>11</sup>, it is very hard to make forecasts in this area. It is unlikely that the websites of the regional courts will be upgraded with the emergence of independent sub-sections of district (city) courts in 2016 by analogy with economic courts. This means that information about the largest judicial segment in Belarus will still be

<sup>10</sup> «Валерий Калининвич: Реформирование судебной системы в Беларуси продолжится.» *БелТА*. 18 May 2015. Web. 24 Feb. 2016. <<http://bit.ly/1L8T7Ho>>.

<sup>11</sup> Федотов, Олег. «Позиция Верховного Суда Беларуси по прозрачности белорусского правосудия.» *LJ*. 1 Oct. 2015. Web. 24 Feb. 2016. <<http://bit.ly/1QxzPrp>>; Федотов, Олег. «Реквием по многофункциональному web-порталу судов Беларуси.» *E-gov.by*. 30 Mar. 2015. Web. 24 Feb. 2016. <<http://e-gov.by/stroitelstvo-e-gov/rekvie-po-mnogofunkcionalnomu-web-portalu-sudov-belarusi>>.

unavailable. Neither will be the detailed information about court rulings and electronic schedules of hearings.

As the socio-economic situation in the country goes worse, we can predict an increased number of legal conflicts taken to unofficial accounts of spokespersons for courts of general jurisdiction. This may lead to the closure of those accounts, or making them 'ordinary' with the accompanying privacy settings.

The number of court rulings transferred to the National Center of Legal Information (for further 'resale' to other legal reference systems) will be negligible compared with the whole body of judicial acts. The results of economic courts' actions will constitute the largest part, as it was before reform. In other words, the number of rulings will increase by few, rather than several fold.

We can expect the traditional 'culling' of rulings related to politics. Traditionally, the amount and rapidity of public disclosures of information sensitive to courts or other branches depend on the activism of civil society institutions and the mass media.

## GOVERNMENT NON-GOVERNMENTAL ORGANIZATIONS: A 'DIRTY JOB' GOES TO THOSE WHO FAILED

**Dmitry Bruchovetsky**

### Summary

The year 2015 is one more year of lost possibilities for the three main government non-governmental organizations (GoNGO) – the Federation of Trade unions of Belarus (FTUB), the Belarusian Republican Youth Union (BRYU) and the Republican public association 'Belaya Rus'. Improvements in Belarus' relations with the West have strengthened the need to imitate active civil society, as well as the need for a liberalization process in the country. During the presidential elections in 2015 the FTUB, BRYU and 'Belaya Rus' were implementing their traditional functions to guarantee an 'elegant' victory using well proved methods. They proposed nothing new or original within the social and economic crisis in the country, which unavoidably caused the decline of the authorities' popularity. In fairness it must be said that nobody in the authorities has expected any innovations from their own 'non-governmental pillars'. A reduction in the resources base resulted in a more neglectful attitude to the less needed non-governmental organizations. The results of the year 2015 revealed the undisputable outsider among these NGOs – 'Belaya Rus'.

### Trends:

- reduction in decorative functions of the GoNGO, since the imitation of civil society does not receive any further development with the help of any new instruments;
- GoNGO are losing the instruments of control over moods in social groups under their 'responsibility' due to general decline in the economic situation and shifting control functions to the security agencies;
- FTUB's exclusion from any influence on governmental decisions concerning the labor market and social security;
- decline of the political role of the RPA 'Belaya Rus' and loose any perspectives to become the 'party of power'.

### FTUB: Each year getting further from working people

Preparing and organizing its VII general conference, which was held on May, 22, became the core of the FTUB's activities in 2015. During the conference the Federation again presented itself as a part of the Belarusian civil society, contrary to the

'shirt-sleeve' parties. During a number of years the Belarusian government has been unsuccessfully trying to 'sell' to the international community the idea about the existence of a developed civil society in Belarus, presented by such formally numerous organizations as FTUB or BRYU. However, these attempts had a practically zero result. In the electoral year 2015 the FTUB again did not present any argument to the international community for the existence of a developed civil society in Belarus.

The Belarusian leadership considers the FTUB and similar organizations as a reserve of candidates to the Parliament or local councils, a source of 'independent' observers for elections etc., as well as a guarantee that no representative of a "shirt-sleeve" party or an alternative part of civil society will take office within the public administration system<sup>1</sup>. No change in FTUB's or any other GoNGO's role in organizing the electoral process occurred during the presidential elections in 2015.

From the ruling elite's point of view, the most important role of the FTUB is to control the moods of personnel. It is no secret that the FTUB's structures are completely integrated into the ideological vertical. However, now that the Belarusian social and economic model is in crisis, public trust in the official trade unions has started to decrease dramatically. The common practice of leaves of absence and part-time working weeks also complicate the work of the official trade unions at public enterprises. The lack of the FTUB's capacity to control the employees' moods in the context of expected future job cuts has become a significant problem for the Federation.

Given this situation, the country's leadership once again has raised the old idea of establishing trade unions at private companies and enterprises. The former head of the FTUB, Leonid Kozik, apparently failed this task. Fully understanding that within the course of time the official trade unions are going to face more problems in implementing their tasks, the country's leadership has used the traditional method of personnel solution,

<sup>1</sup> For example, in the year 2015 the FTUB's Chairman Mikhail Orda became the head of the initiative group to propose Alexander Lukashenko as a candidate for presidency.

i.e. changing the head of the Federation. However, even after the appointment of Mikhail Orda in October 2014 as the head of the FTUB, no significant changes in its activities have occurred.

The VII general conference of the FTUB embraced the Program of the Federation's activities in 2015–2020. Taking into consideration the economic results of the year 2015 and the first quarter of the year 2016, this Program is going to fail, particularly in the areas of growth of social standards of living, employment guarantees, unemployment policy, social protection for the unemployed etc. The same conclusion can be applied to the renewed General agreement between the Government of the Republic of Belarus, the national unions of employers and trade unions for 2016-2018, which was signed in December 2015. Nevertheless, the Program considers establishment of trade unions at private companies and enterprises. The Presidential Decree N 4 dated June, 2, 2015, which introduced changes into the Presidential Decree N 2 dated January, 26, 1999 "On certain measures concerning activities of political parties, trade unions, other non-governmental organizations", aims to facilitate the implementation of such a complicated task. The results of the 'trade-unification' process in private business have appeared predictably more than decent. Even in spite of the absence of official statistics concerning the number of the FTUB's members, one can make such a statement since the subject of establishment trade unions at private companies and enterprises was actively discussed in the country's informational space within the context of the FTUB's VII conference and the Decree N 4 dated June, 2, 2015.

Actually, the FTUB's work in the year 2015 was evaluated by Alexander Lukashenko during his meeting with Mikhail Orda on December, 22. The president gave the first rank and highly praised the FTUB's participation in the electoral campaign. Social issues were predictably blamed on external forces and circumstances. Taking into consideration the President's reaction, the authorities had no illusions concerning the FTUB's capabilities to successfully penetrate private companies and enterprises. This issue was delayed for future considerations. In general, the FTUB implemented its limited task to imitate active participation of civil society in the presidential elections

in 2015, but did not manage to offer new effective activities in the rapidly deteriorating social and economic conditions. It is particularly significant that during the year 2015 the FTUB was not engaged in most meetings and consultations concerning the situation on the labor market and social protection.

### **BRYU: How is the Year of young people different from any other?**

The BRYU plays a similar to the FTUB's role in the Belarusian political system. On January, 20 Alexander Lukashenko traditionally delivered a speech during the 42-rd conference of this organization. One should expect that with the fact that the year 2015 was announced as the Year of young people, a certain review of the BRYU's role on the current stage would be conducted. However, these expectations have never come true.

The attempts to 'modernize' the government's policy towards young people and, respectively, the BRYU's activities are related to the authorities' concern about the events in Ukraine, where young people played a major role in the protests. The BRYU was instructed to increase its control over the mood among young people. However, the authorities preferred not to mention publicly the concrete forms of this control. Tougher control has occurred primarily with the help of different public mass events (which in the Belarusian reality almost always transform into obligatory activities, in many cases close to forced labor). Strengthening the social policy towards young people in the recessionary year of 2015 was definitely off the authorities' agenda; correspondently, no one expected the BRYU to do it. The second important direction of the organization's activities is intensive work in social networks. However, it is limited mainly with mass similar commentaries on a particular subject. In spite of doubtful effectiveness of this 'flooding' and 'trolling' in many experts' opinions, the BRYU did not offer any new idea to develop these activities. In September the orders from the BRYU's Vitebsk regional Committee to their employees and activists concerning the content of commentaries on certain articles in the Belarusian



mass-media became a matter of public discussion. However, nobody was really surprised by this fact.

The authorities permanently try to present the BRYU as a kind of personnel reserve for future employment within the system of public administration. Alexander Lukashenko promoted this idea once more during the BRYU's conference. However, during all the years of the organization's existence no mechanism of such recruiting has been elaborated.

Thus, in the year 2015 the BRYU preserved its main function in the Belarusian political system: imitation of a developed civil society, providing governmental political presence (even if it is not effective) in Internet and formation a reserve for voluntarily-obligatory labor and mass character image at public events. No real review of the BRYU's role and position occurred in the Year of young people; functions to control moods among young people are implemented mainly by local authorities and security agencies but the pro-governmental youth organization. It is significant, that even despite of authorities' more attentive position towards young people as one of the most protest inclined parts of the society the government does not consider the BRYU as a reliable instrument for administrating youth affairs.

### RPA 'Belaya Rus': the absolute outsider

However, it was the RPO 'Belaya Rus' who became the absolute outside among the three considered GoNGOs. The Belarusian Yearbook repeatedly argued that all discussions on *Belaya Rus*' possible transformation into a pro-governmental political party have no grounds and real argumentation. However, without such a transformation, *Belaya Rus* has no place in the Belarusian political system<sup>2</sup>. The year 2015 proved persuasively the complete validity of these conclusions. There have not been any discussions about the possibility of establishing a party political system in Belarus. Even during the first quarter of 2016,

<sup>2</sup> See, for example: Brukhavetski, Dzmitry. "Pro-Government NGOs: Do this, I do not know what." *Belarusian Yearbook 2013*. Web. 2 Apr. 2016. < <http://nmnby.eu/yearbook/2013/en/index.html> >

the year of scheduled parliamentary elections, the authorities did not consider it necessary to return to this issue<sup>3</sup>. Moreover, according to official press-releases of the president's press office, the Head of state did not mention *Belaya Rus* at all during the whole year 2015.

Actually, the organization's decline was accelerated, when its head, Alexander Radkov, left his tenure as a deputy head of the president's administration in December, 2014 and as a president's assistance in May, 2015. Even in spite of his loyalty Alexander Radkov was taken off further considerations, while the position of his current employment – the head of *Belaya Rus* – apparently demonstrates the real status and perspectives of this organization. The reasons of this decline lie in an original flaw of *Belaya Rus* within the system of public administration in Belarus, which is quite close to its Soviet pattern. One of the differences is replacement the Communist party's position with the 'presidential vertical'. No other structure is required in such a system. It can be suggested that earlier the authorities considered the possibility of transforming *Belaya Rus* into a political party, as well as possible growing activities of other GoNGOs, in order to present it to external actors as decorative liberalization. However, since the year 2011 the authorities have followed another scenario, which seems to be fully confirmed in the year 2013.

### Conclusion

All three GoNGOs – FTUB, BRYU and *Belaya Rus* – continued to play a marginal role in the Belarusian political arena during the whole year 2015. Nor the presidential elections, nor declaring the year 2015 as the Year of young people, nor improvement of Belarus' relations with the West, nor deteriorating of the social and economic situation in the country changed this marginal position.

Imitation of a 'developed civil society' and liberalization in Belarus lie in the sphere of responsibility of different non-

<sup>3</sup> Alexander Lukashenko's absence at the meeting of the Republican Council of the RPA 'Belaya Rus' on January, 30, 2016 was particularly significant; the president's press-office also did not mention this event.

governmental and political organizations without any clear goals and more or less apparent financial sources, which have started to appear swiftly and in abundance after the presidential elections in 2010. The traditional GoNGOs preserved a 'dirty job' to legitimize (alongside with falsification) elections, to identify non-satisfied employees at companies and enterprises (however, even in this sphere the authorities mainly rely on security agencies) and promoting Soviet traditions in organizing leisure and cultural events.

## FOREIGN POLICY

## **BELARUS AND RUSSIA: FROM BROTHERHOOD TO ALLIANCE**

**Anatoly Pankovski**

### **Summary**

Moscow has almost given up the idea of imposing heavy demands on its main ally, being ready to invest in Belarus not requesting its unconditional support for the Kremlin's confrontational actions in relation to Ukraine, Turkey and the West. Moreover, in these circumstances, it looks like the Kremlin sees some advantages in a greater involvement of Belarus in regional and international politics. In all other respects, the long established trends in Belarusian-Russian relations persisted in 2015: Belarus' solid alliance with Russia with a certain freedom when it comes to the cooperation with third countries, active, although not very effective lobbying of Belarusian producers in the Russian market, the preserved special regime of supplies of energy resources to Belarus, and credit support when benefits of this regime fade out.

### **Trends:**

- A growing gap between the real and the declarative dimensions of the integration;
- A considerable decline in the mutual trade turnover and a downfall of Belarusian exports;
- Deterioration of the composition of Belarusian exports;
- A reduction in Belarus' benefits from the integration;
- New elements of advocacy of Russia's foreign policy interests by Minsk.

### **Official plan: exceptional friendliness**

The period under analysis was quite rich in contacts and interactions on a bilateral basis and within the post-Soviet unions that gave officials and observers a reason to speak about a stepping up and more profound integration. The most important high-level contacts are connected with the functioning of post-Soviet integration organizations: a session of the Supreme State Council of the Union State of the Russian Federation and the Republic of Belarus (March 3); a meeting in Astana within the framework of the Eurasian Economic Union (EEU) (March 19–20); the celebration of the 18<sup>th</sup> anniversary of the Union State, etc. If we recognize the 'deepening of the integration' as a sufficiently adequate description, the following would be

correct as well: integration instruments did not work smoothly and effectively, so a manual adjustment of the interaction was constantly required.

For the first time in the history of the bilateral relations, President Lukashenko's official visit to Moscow after his re-election for a new term in office was not the first but third after the trips to Hanoi and Ashgabat. Vladimir Putin did not attach any importance to this interesting fact and, judging by his words of welcome, did not notice it at all. The meeting was extremely friendly. Both presidents expressed full understanding on the whole range of problems from the foreign policy to the economic integration.

However, this friendliness and mutual understanding was achieved by leaving all specifics aside. Nothing was said about either the matters that caused concern in Moscow (Ukraine, Turkey, Syria, or the Russian military airbase in Belarus), nor the issues of concern to Minsk (credit support, giving Belarusian commodities the national status on the Russian market, etc.). Considering the whole bunch of all unresolved issues, problems and half words accumulated by that time, it is fair to say that Minsk and Moscow have reached the ultimate stage of political hypocrisy in their bilateral relations.

Meanwhile, the gap between the declarative and the real dimensions of the Belarusian-Russian integration continued to widen last year. On the one hand, several encouraging initiatives were articulated and several announcements were made. In particular, at the session of the Supreme State Council of the Union State held March 3, Russian President Vladimir Putin spoke about a possibility of a common visa area within the Union State. In turn, Deputy Foreign Minister of Belarus Alexander Mikhnevich said it was premature.

At the meeting in Astana, Putin spoke about the possibility of a single currency union within the EEU. The Belarusian president did not second his Russian counterpart saying that the single currency launch was “not a question of the day.”<sup>1</sup>

<sup>1</sup> «Лукашенко: введение единой валюты в ЕАЭС — вопрос не сегодняшнего дня.» *БелТА*. 2 Apr. 2016. Web. 23 Mar. 2016. <<http://www.belta.by/president/view/lukashenko-vvedenie-edinoj-valjuty-v-eaes-vopros-ne-segodnjashnego-dnja-153043-2015>>.

On the other hand, *five* basic integration projects<sup>2</sup> have not progressed whatsoever. As Russian Vice Premier Arkady Dvorkovich said, their implementation requires political will. Belarus and Russia, apparently, show none. Finally, as concerns Belarus, its first year as a EEU member brought not so much benefits — primary (trade) and secondary (energy rent and loans) — as expenses.

### Unequal exchange

Belarusian-Russian trade turnover went down 26.3% against 2014 from USD 37.37 billion to 27.53 billion. Belarus' exports to Russia dropped 31.6% to 10.38 billion dollars and imports were down 22.8% to 17.1 billion. The usual trade deficit decreased the least (6.8 billion). This is the worst turnover index since 2009. Compared with 2012, the best year in the history of Russian-Belarusian trade, the overall decline reaches 62.7% (Table 1).

**Table 1. Dynamics of foreign trade between the Republic of Belarus and the Russian Federation in 2009–2015, USD million<sup>3</sup>**

	2009	2010	2011	2012	2013	2014	2015	% against 2014
Trade turnover	23,444	28,035	39,439	43,860	39,742	37,371	27,533	73.7
Exports	6,718	9,954	14,509	16,309	16,837	15,181	10,389	68.4
Imports	16,726	18,081	24,930	27,551	22,905	22,190	17,144	77.2
Deficit	10,008	8,127	10,421	11,242	6,068	7,009	6,755	96.4

<sup>2</sup> This is about *five* industrial cooperation projects: amalgamation of Belarusian and Russian enterprises or merging Belarusian into Russian enterprises; creation of *Rosbelavto* holding company on the basis of MAZ and KamAZ; integration of Belarusian *Integral* and the *Minsk Wheel Tractor Plant* with entities of the state corporation *Rostec*; integration of *Peleng* and *Roskosmos*, and *Grodno Azot* and *Eurohim* or *Gazprom*.

<sup>3</sup> Hereinafter: “Foreign trade / Annual data.” *National Statistical Committee of the Republic of Belarus*. Web. 22 Mar. 2016. <[http://www.belstat.gov.by/en/ofitsialnaya-statistika/macroeconomy-and-environment/vneshnyaya-torgovlya\\_2/osnovnye-pokazateli-za-period-s-\\_\\_po-\\_\\_\\_gody\\_10/](http://www.belstat.gov.by/en/ofitsialnaya-statistika/macroeconomy-and-environment/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-__po-___gody_10/)>.



It could be said in 2014 that the decline of Russian-Belarusian trade was in many respects caused by the devaluation of the Russian ruble. The decline in 2015 was largely due to the global oil price downturn. Given the direct correlation between trade trends and prices of raw commodities, Belarusian-Russian trade can be regarded as a particular case of the global trade recession (although this case is aggravated by some other impacts).

Centre for European Policy Studies Director Daniel Gros says commodity prices affect not only the value terms of trade, but also its volume, because higher oil and gas prices are forcing industrialized countries (consumers of raw commodities) to increase exports in order to cover the costs of the same volume of imports of raw materials.<sup>4</sup> This seems to be true given that the proportion of Russia in Belarus' total turnover remains consistently high at 48.0% (49.0% in 2014), while raw commodities – oil, gas, oil products, potash and timber – remain the main items in export-import operations of Belarus.

**Table 2. Exports of main commodity groups to Russia, % against 2014**

	By value	By quantity
Trucks	41.0	66.4
Tractors	62.2	47.8
Agricultural machinery	85.7	44.8
Oil products	50.1	35.0
Furniture	86.5	62.9
Meat	109.3	77.5
Milk*	117.0	75.0
Cheese	109.1	79.3
Smoked fish	166.0	92.7

\* Rough estimate regarding dairy and semi-finished dairy products.

There is a clear disproportion in Belarusian-Russian trade. Russia mainly supplies raw commodities of critical importance to Belarus, while the latter mainly provides Russia with end

<sup>4</sup> Gros, Daniel. "The End of Globalization?" *Project-syndicate*. 8 Mar. 2016. Web. 22 Mar. 2016. <<http://www.project-syndicate.org/commentary/stagnating-global-trade-low-commodity-prices-by-daniel-gros-2016-03>>.

products. In 2015, the prices of Russian oil, gas and electric energy were falling less rapidly than the prices of Belarusian engineering products and foods (Table 2). The export of foods to Russia rebounded in quantitative terms in mid-2015, but the trade return shrank almost one-third in money terms.

This disproportion occurs mainly due to unequal terms of trade for Belarusian goods in the Russian market. Moreover, these terms are formalized in EEU regulations and institutional lobbying schemes of Russian companies.

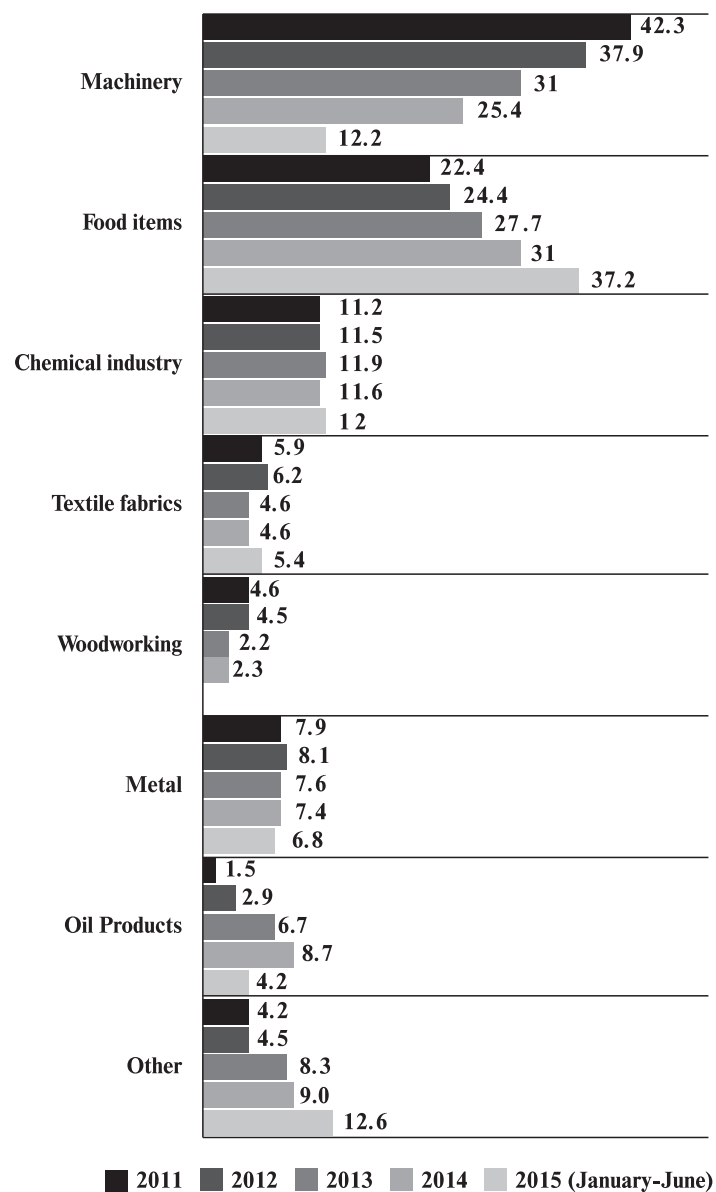
In general, despite small local successes<sup>5</sup>, the economic integration with Russia remains disadvantageous to Belarus. Therefore, over the first *two* months of 2015, equitable trade relations were on the agenda of numerous negotiations between the Belarusian and Russian leaders. At a meeting with Russian top officials during the Minsk session of the Supreme State Council of the Union State, Lukashenko pointed out that the mutual trade turnover had been dropping for *three years*. "That's why the removal of barriers to ensure the effective functioning of the single market of goods, services and capital, and mutual support are our common area of interest," he said.<sup>6</sup>

However, efforts made to advocate economic interests of Belarus in the EEU and the Union State remain ineffective. Probably, if it was not for Russia's trade war with Ukraine, Turkey, the European Union and the West (the destruction of foods before TV cameras in August 2015), which gave Belarus a chance to partially recoup losses incurred from the EEU membership, Belarusian exports would dwindle even more. The composition of Belarusian exports looked at in a long retrospect makes its progressive degradation obvious: Belarus gradually turns from an 'assembly shop' into a sort of agrarian and raw material appendage of the Russian market (see Figure 1).

<sup>5</sup> On January 5, the Russian government published decree No. 1470 of December 29, 2015, which establishes national treatment for goods from the EEU for the procurement of machine-tools for defense purposes.

<sup>6</sup> «Союзное государство должно оказать действенную поддержку становлению ЕАЭС.» *БелТА*. 25 Feb. 2016. Web. 22 Mar. 2016. <<http://www.belta.by/president/view/sojuznoe-gosudarstvo-dolzno-okazat-dejstvennuju-podderzhku-stanovleniju-caes-183190-2016/>>.

**Figure 1. Proportion of basic commodity items in Belarusian exports to Russia in 2011–2015, %**



## Secondary benefits

As before, Belarus purchased Russian oil and gas at the lowest prices in the region. However, the trend of the past *two years* continues: Belarus' oil and gas rent is shrinking as the prices of energy resources go down<sup>7</sup>, although not very rapidly. Its approximate total amount in monetary terms can be presented as follows: around USD 2.5 billion is a bonus from the difference between the purchasing and the global oil prices; 1 billion comes from custom duties on oil products, which Belarus keeps for itself; another 1.8 billion are annual 'savings' from the difference between the purchase and the average European price of gas.

So, in 2015, Belarus' total energy rent amounted to USD 5.3 billion. This is not enough to fully compensate the trade deficit, which reaches 6.8 billion, but gives an idea of how much Russia could lend to Belarus in 2015: 1.5 billion.

In late April, Russia gave Belarus a government loan in the amount of RUB 6.2 billion (around USD 110 million) to recharge the gold and currency reserves. On July 24, the Russian government signed an agreement on a new ruble loan to Belarus in the amount equivalent to USD 760 million. The loan was granted for *ten years* to service and pay off previous Russian loans to Belarus allocated from the Eurasian Fund for Stabilization and Development (EFSD). The money was transferred to the account of the Ministry of Finance of Belarus on July 28.

In 2015, Russia gave Belarus at least 600 million dollars less than the latter requested, Belarus predictably asked Russia for another loan, that time USD 3 billion, apparently foreseeing a decrease in the secondary benefits in 2016. The request was filed to the EFSD in September 2015.

## Foreign policy coordination

Moscow de facto recognized its ally's certain freedom of action in the regional and international arena that was the main result of the year in terms of the foreign policy cooperation. This recognition was particularly expressed as compliments

<sup>7</sup> See *Energy Sector: Energy rent plummets* by A. Autushka-Sikorski in this Yearbook.

to Minsk from Russian officials – Vladimir Putin and Sergei Lavrov – for the contribution to the peace talks on Ukraine and the facilitation of the trilateral contact group's activities. Belarusian President Alexander Lukashenko has the reputation of a peacemaker since the negotiations of a contact group on the settlement of the crisis in eastern Ukraine in early September in Minsk with the participation of the OSCE and Russia when delegations of Kiev and the self-proclaimed Donetsk and Lugansk People's Republics agreed to cease fire in the Donbas region.

The Kremlin seemingly decided that Minsk's 'neutral' position can provide certain benefits. In conditions of half-isolation of Russia, elements of advocacy of its interests by Belarus brought new nuances in the foreign policy cooperation between the *two* states. Before, Moscow used to represent Belarus' interests in the international arena when Minsk was not there for various reasons.

On March 10, Russia asked Belarus to represent its interests in the Joint Consultative Group on the Treaty on Conventional Armed Forces in Europe.

During the visit to Georgia in April, Lukashenko offered his services as a consensus searching mediator between Russia and Georgia.

At the Riga Eastern Partnership summit in May, Belarus (together with Armenia and Azerbaijan) refused to sign the section of final declaration, which used the phrase "the annexation of the Crimea", until there is a compromise version, in which only the European Union member states condemn the annexation.

In September and October, Belarus, which performed the function of the EEU Presidency, requested the observer status for the Union from the United Nations.

Belarus also joined the 'Integration of Integrations' campaign ('Europe from Lisbon to Vladivostok') launched by the Kremlin that involves the creation of prerequisites for a rapprochement between the European Union and the EEU. This topic was on the agenda of negotiations with European political and economic circles during the Belarusian-Austrian-Russian Business Forum on October 13 in Minsk. A lot was

said about EU-EEU rapprochement at a meeting of the foreign ministers of Belarus and Russia on October 27.

### 'Soft power' pressure

While Russian and Belarusian officials were declaring full understanding on the whole range of issues and 'similar positions' on the resolution of the crisis in Ukraine (as Vladimir Putin said), some groups in Russia (including those affiliated with the government) were not that happy about the relatively independent position of Minsk.

In spring 2015, 'offended patriots' consolidated around the Russian news agency *Regnum* became highly active in the Russian media. *Regnum* and ideologically close *Empire*, *Vzglyad* and others intensified attacks against Lukashenko accusing him of indulging "the rampaging rabid nationalism" in Belarus saying that names of localities and some other names are written in the Belarusian language, there still are a few places where teaching is in the Belarusian language, the state media sometimes mention historical figures associated with the Belarusian (not Russian) history, and so forth.

This media noise was accompanied by a less noticeable, yet, perhaps more important (in the long term) activity of new expert groups formed mainly of persons having dubious professional reputation, like the authors of the document 'Belarusian Nationalism against the Russian World. Final Report on the Activities of Extremist and Nationalist Organizations in Russia and the CIS' presented in December 2015, as well as expert groups, which traditionally provide the Kremlin with expert reviews (e. g. the Higher School of Economics).

Activities of these groups mainly resulted from the opened channel of 'soft power' in 2014, when the Kremlin switched to attempts to pattern after the policies of western countries and foundations aimed at supporting non-governmental organizations, the mass media, think tanks etc. (including those in the neighboring countries). In April 2015, the Russian President signed a *directive on state grants to NGOs in 2015*.<sup>8</sup>

<sup>8</sup> См. Портал грантов. Web. 23 Mar. 2016. <<https://grants.oprf.ru/>>.

Old and new expert groups, including those pursuing the informational expansion of the 'Russian World', expectedly rushed into the opened channel right away.

### Military cooperation

Economic problems and disagreements, and also the quite nervous reaction to the plan to place a Russian airbase in Belarus<sup>9</sup> did not affect the military cooperation, which has developed normally.

A joint air defense exercise was held on September 10, and the next one was planned. In general, the nearest future of the airbase was decided as Belarus preferred it be: the deployment was postponed indefinitely, and the two governments agreed on procedures related to the urgent protection of Belarus' airspace by Russian troops.

In January 2016, the Russian leadership approved a draft intergovernmental agreement with Belarus on the joint technical support for the regional force grouping.<sup>10</sup> According to the draft, in times of peace, the Russian Defense Ministry accumulates and stores reserves of arms and materiel at its own stationary facilities, and only in case of an immediate aggressive threat moves them to Belarus. The use of the material and technical base of Belarus in wartime will be regulated by a separate agreement.

On June 16, Belarus signed a contract with Russian Helicopters on a supply of *twelve* Mi-8MTV-5 military transport helicopters to the Belarusian army "on the same conditions and with the same specifications as for the Russian armed forces." In June, Belarusian Defense Minister Andrei Ravkov said that *four* divisions of Russian air defense missile systems S-300 would take up duty in Belarus by the end of 2015. The divisions

<sup>9</sup> Поротников, Андрей. «Зачем здесь авиабаза сейчас.» *Наше мнение*. 7 Sep. 2015. Web. 23 Mar. 2016. <<http://nmnby.eu/news/express/5871.html>>.

<sup>10</sup> «Правительство РФ одобрило проект соглашения с Беларусью о техническом обеспечении региональной группировки войск.» *БелТА*. 25 Jan 2016. 12 Mar. 2016. <<http://www.belta.by/society/view/pravitelstvo-rf-odobrilo-proekt-soglashenija-s-belarusju-o-tehnicheskom-obespechenii-regionalnoj-178840-2016/>>.

arrived in early February 2016. The deliveries of S-400 are under discussion.

### Conclusion

The economic cooperation will largely depend on the effects of the ongoing recession, which will be partly mitigated by the direct financial support in the form of loans and lifting of some restrictions on supplies of Belarusian commodities.

Direct contacts with the heads of Russian regions are likely to play a certain (but not determining) role in the restoration of exports to the Russian Federation.

In 2016, the political cooperation will most likely be maintained in a friendly atmosphere. In that case, Belarus will try to increase its role as Russia's advocate in the relations with the outside world (in particular, Ukraine, Turkey and the European Union), and a lobbyist of EEU interests in the relations with some nations and international organizations (India, Vietnam and the United Nations).

A certain revitalization of the relations within the Union State is also possible. In 2016, the Union members will work on a joint military doctrine. This work is likely to take the whole year.

## BELARUS – EUROPEAN UNION: 'DÉTENTE' 2.0

Dzianis Melyantsou

### Summary

In 2015, the relations with the European Union reached their peak after the events of December 2010. The efforts of Belarus to resolve the conflict in Ukraine helped the normalization of relations with the West and with the European Union in particular. *The Eastern Partnership* summit turned out quite positive for the official Minsk. The release of political prisoners and the lack of repressions during the presidential election 2015 gave Brussels the formal reason to put most sanctions on hold and to deepen the dialogue with Belarus.

### Trends:

- Use by Minsk of its peacekeeping stand on Ukraine to improve its relations with the European Union;
- Expanding and deepening of the bilateral agenda of relations;
- Lowering of sights by both sides for greater stability of the normalization process.

### Road map of normalization

In 2015 the Belarusian-European relations continued to develop in the tracks of the previously formed agenda, the main points of which were negotiations on visa facilitation and the dialogue on modernization. Such points as the signing of mobility partnership by the European Union and Belarus and the expansion of economic cooperation with a number of EU members were added to the agenda.

In January this agenda included a kind of 'road map' of further improvements of the Belarusian-European relations, developed by the Council of the European Union and entitled *The List of possible additional specific measures to deepen the policy of critical engagement towards Belarus*. Despite the fact that the document was not classified, it was not published and did not become available to a wider audience, although European officials and diplomats did not deny its existence and referred to it in an informal setting.

The *road map* contained 29 points, which can be implemented in case the official Minsk continues to demonstrate its desire to converge with the European Union, making certain steps. Among the most significant steps of the European Union are the following:

- The development of sectoral dialogue with Belarus;
- The use of the TAIEX instrument to transfer technology;
- Providing Belarus with the supervisory status in the *Northern Dimension Partnership on Transportation and Logistics* (NDPTL);
- The beginning of negotiations on *Mobility Partnership*;
- Signing of agreements on visa facilitation and readmission;
- Signing of the Memorandum on an Early Warning Mechanism;
- Enhancing of the bilateral dimension of the Eastern Partnership;
- Abolition of quotas on textile imports;
- Assistance in the negotiations with the IMF;
- Support of Belarus in joining the WTO;
- Establishing of a new legal base of relations;
- Suspension and subsequent lifting of sanctions, etc.

As of the end of the year it is possible to conclude that some of these measures were successfully implemented.

### The Ukrainian factor of normalization

The neutral position of Belarus in the Russian-Ukrainian conflict continues bear fruit in the improvement of the relations of the official Minsk with the West. One of the most important foreign policy events of the year was the visit of the German Chancellor Angela Merkel and the French President Francois Hollande to Minsk to participate in the negotiations on the settlement of the Ukrainian crisis in the 'Normandy format'. Once again Minsk provided a platform for negotiation without taking a formal part in the negotiations at the highest level.

Taking into account all the debate about the meaning and a role of Belarus in the framework of international efforts to end hostilities in Ukraine, it should be recognized that Minsk found a niche that helps it to build relations with the Western



capitals. Of paramount relevance here is the fact that Belarus took a position that is significantly different from Russia on the Ukrainian crisis, which stressed its own national interests and foreign policy. Minsk is not only acceptable to all parties as a neutral ground, but it also suggests meaningful proposals to end the armed conflict in Ukraine beyond on-the-scene meetings. According to the statements of the President and the Minister of Foreign Affairs of Belarus, the proposals were transmitted to all the parties concerned.

All these steps cause an additional interest to Belarus from the EU member states and the EU institutions and have a significant impact on the long-term trends of a gradual defrosting of relations between Belarus and the European Union. In 2015, all visits of high representatives of the European Union passed with traditional by now gratitude to Belarus for its efforts to resolve the conflict in Ukraine. Thus, the military-political situation in the region, the lack of visible results of EU sanctions, as well as consistent work of Belarusian diplomats led to the best environment ever in relations between Belarus and the EU since 2010.

### **The Riga summit: positive but ineffective**

Intensification of diplomatic contacts between Belarus and the EU countries and the EU institutions was caused not only by the 'Ukrainian' factor. The next summit of the *Eastern Partnership* (EP) and the presidential election also contributed to increased attention of the international community towards Belarus.

In the framework of the preparation for the Riga EP summit the Foreign Minister of Latvia, that is presiding in the EU, Edgars Rinkēvičs and Deputy Secretary General of the European External Action Service, Helga Schmid paid visits to Minsk on February 19 and February 24, correspondently. Both high guests had meetings not only in the Ministry of Foreign Affairs of Belarus, but also with Alexander Lukashenko.

In February the Belarusian Foreign Minister Vladimir Makei paid a *four-day* working visit to Germany. On the first day of the visit, the Minister made a speech at the German Council on Foreign Relations (DGAP) in Berlin and held a meeting with

representatives of German business circles. On February 6–8, Vladimir Makei participated in the 51st Munich Conference on Security, where he met with the High Representative of the EU for Foreign Affairs and Security Policy, Federica Mogherini, the Minister of Foreign Affairs of Germany, Frank-Walter Steinmeier and the Italian Minister of Foreign Affairs, Paolo Gentiloni.

Finally, on April 16–17, for the first time in *five years*, Johannes Hahn, the Commissioner for European Neighborhood Policy and Enlargement Negotiations, visited Minsk and was received by Alexander Lukashenko and Vladimir Makei. The President of Belarus expressed the desire for closer cooperation with the EU, in particular in the field of technology, economy and security. He proposed to revise the EP program with a focus on these priorities, and to try to identify several areas for cooperation between the EU and the Eurasian Economic Union.

In 2015, an important event for the relations of Belarus with the European Union was the EP summit in Riga (May, 21–22). Although it had an intermediate character, since the EU launched the process of revising of the European Neighborhood Policy (ENP), part of which is the Eastern Partnership. It was difficult to expect any drastic decisions before the upcoming ENP in autumn 2015.

For Minsk the summit was a difficult one. The Belarusian delegation was in the midst of pressure from the majority of summit attendees who required using the term 'annexation' in relation to the Russian actions in the Crimea.

Belarus insisted on the unacceptability of such wording, appealing to the need to avoid dividing lines in the region, as well as to its own neutral position on the Ukrainian crisis. After long negotiations the term 'annexation' was though included in the text of the joint declaration. However, Belarus expressed its particular stand.

In general, the results of the summit did not become a breakthrough for Belarus as it had been planned by a draft Joint Declaration, which became available to the public as early as in March. In particular, it had been planned to initial agreements on visa facilitation and readmission and to announce the launch

of the Mobility Partnership between the European Union and Belarus. The first versions of the draft Declaration also mentioned the possibility of the launching of the 'road map' on modernization.

In the end, nothing of the planned was realized in Riga. Some observers perceived the summit as a failure for Belarus. Backroom comments of the members of the official Belarusian delegation showed irritation, especially on visa issues. Vladimir Makei commented on the failed initialing of the visa agreements: "At some stage our partners found some faults that did not allow us initialing of the agreements at the summit. So we continue our work and we have agreed that our experts will meet. Believe me, this was absolutely not our fault, and, of course, the work on these agreements will take time".<sup>1</sup>

However, the Riga summit was quite positive for Belarus. *First*, the process of negotiations on visas and migration will continue. It is quite probable that the agreement will be finalized in the near future, without pointing at any particular dates.

*Second*, the Joint Declaration of the summit reflects *two* principles that the official Minsk has advocated since the beginning of the Eastern Partnership: the differentiated relations of the EU with partner countries depending on the ambitions of the latter, and the priority of pragmatic cooperation over the topics of human rights and political transformation. *Third*, Belarus is repeatedly mentioned in the text of the Declaration in a positive context.<sup>2</sup>

The Riga summit was immediately followed by two events that underlined a new stage in the relations of Belarus with the European Union. First of all, for the first time Minsk hosted the round of the EP informal Ministerial dialogues, where the European Commissioner for European Neighborhood Policy and Enlargement Negotiations, Johannes Hahn and the Secretary General of the European External Action Service,

<sup>1</sup> «Макей расказаў аб ітогах рижскага самміта і о прычыне замедлення візавых перагавораў с ЕС.» *TUT.BY*. 22 May 2015. Web. 9 Mar. 2016. <<http://news.tut.by/politics/449064.html>>.

<sup>2</sup> "Joint Declaration of the Eastern Partnership Summit (Riga, 21–22 May 2015)." *European Union External Actions*. Web. 9 Mar. 2016. <[http://eeas.europa.eu/eastern/docs/riga-declaration-220515-final\\_en.pdf](http://eeas.europa.eu/eastern/docs/riga-declaration-220515-final_en.pdf)>

Alain Le Roy took part. Speaking at the event, Makei made a number of positive statements concerning the desire of Belarus to end the circularity in its relations with Brussels.

The second significant event was the presentation of credentials to Alexander Lukashenko by the Swedish Ambassador Martin Oberg. This event effectively ended the diplomatic conflict between Minsk and Stockholm, in the result of which in August 2012, the parties had brought their relations down to a minimum.

As a goodwill gesture Minsk agreed on the resumption of a previously suspended dialogue with the European Union on human rights. The first round of consultations in this format was held in Brussels on July 28. It is noteworthy that during this event traditionally problematic issues of the relations between Belarus and the EU were discussed, such as the freedom of speech, expression and assembly, the death penalty, and the fight against degrading treatment. According to the report of the Belarusian Foreign Ministry following the meeting, "the talks helped to conduct an honest and respectful initial exchange of views on a range of issues aimed at further strengthening mutual trust and cooperation".

### Presidential election as a watershed

Traditionally, election campaigns in Belarus serve as a kind of test for 'seriousness' of the official Minsk to normalize its relations with the EU. As a rule, during the election period, the Belarusian authorities try to lessen the pressure on opposition activists, thus demonstrating their good will to the West, hoping that the EU will accept the results. This trend continued in 2015.

On August 22 President Lukashenko released six people, some of whom the EU considered as political prisoners, including one presidential candidate of the 2010 election Mikalaj Statkevich. This decision was intended to radically affect the EU evaluation of the upcoming election and the political climate in the country in general.

The problem of political prisoners was one of the main obstacles to the improvement of relations of Minsk with Brussels and the West in general. The potential of the normalization

of relations, which had slowly started since the end of 2012, was almost exhausted, and to move forward it was necessary to remove the issue of political prisoners from the agenda. A positive decision could have been made earlier, but for various reasons it did not happen. In addition, according to the logic of the Belarusian authorities, it was necessary to show to the West their determination to oppose sanctions and to stand up against their requirements. That is why the part of political prisoners was pardoned neither in 2011 nor at the peak of the diplomatic crisis, but immediately before the next presidential election.

The decision of the Belarusian President immediately caused a positive reaction in the EU institutions and the EU member states. However, the EU did not suspend sanctions, preferring to wait for the election results and their assessments by international observers.

In the end, the Statement of preliminary findings and conclusions of the OSCE/ODIHR, Parliament Assembled of OSCE and PACE, released the next day after the election (October 12), had the wordings that allowed speaking about minimal, but yet improvements. The following paragraph reflects the general content of the Statement: “Presidential election ... once again indicated that Belarus still has a considerable way to go in meeting its OSCE commitments for democratic elections. This underscores the need for the political will to engage in a comprehensive reform process. Some specific improvements and a welcoming attitude were noted. Significant problems, particularly during the counting and tabulation, undermined the integrity of the election. The campaign and election day were peaceful”.<sup>3</sup>

Such wordings allowed the Council of the European Union making a political decision on the suspension of sanctions against Belarus which was formalized on October 29.<sup>4</sup> The decision was

<sup>3</sup> «Заявление о предварительных заключениях и выводах.» OSCE. 12 Oct. 2015. Web. 9 Mar. 2016. <<http://www.osce.org/ru/odihr/elections/belarus/192001?download=true>>.

<sup>4</sup> “Belarus: EU suspends restrictive measures against most persons and all entities currently targeted.” *Delegation of the European Union to Belarus*. 29 Oct. 2015. Web. 9 Mar. 2016. <[http://eeas.europa.eu/delegations/belarus/press\\_corner/all\\_news/news/2015/2015\\_10\\_29\\_en.htm](http://eeas.europa.eu/delegations/belarus/press_corner/all_news/news/2015/2015_10_29_en.htm)>.

one-legged: the European Union extended sanctions that were to end on October 31, for four months until February 29, 2016, and simultaneously suspended them for the same period. Thus, at this time sanctions against 170 individuals and *three* legal entities were ‘frozen’.

*Four* persons involved in unresolved disappearances in Belarus remain subject to restrictive measures. It is noteworthy that in 2008, after the adoption of a similar resolution, the sanctions continued to operate in relation to the same *four* people, as well as in relation to the head of the Central Elections Committee (CEC), Lidia Yermoshina. This time the Council of the European Union must have regarded the progress in the electoral process as more significant, which allowed lifting the visa restrictions from the CEC head.

It should be noted that, just as in 2008, the European Union decided to suspend sanctions for purely geopolitical rationality: neither then, nor now had the official Minsk fulfilled all required conditions identified in the decisions of the EU Council. Demonstrating such inconsistency, Brussels sends contradictory signals both to the Belarusian authorities, and their opponents inside Belarus, which may further negatively affect the implementation of bilateral agreements and the level of confidence in the EU as an international player.

### **Minsk and Brussels determine their plans for future**

The ‘peaceful’ nature of the election and the suspension of sanctions created a favorable context for the Belarusian-European relations. Using this, Minsk started intensive diplomatic work, the basic tasks of which are determined by the complete lifting of sanctions and the access of Belarus to European funding. In this framework a number of important visits were paid.

On November 17–18 at the invitation of the German side Vladimir Makei met in Berlin with the Federal Minister of Foreign Affairs, Frank-Walter Steinmeier, and the Federal Chancellor’s Foreign Policy Advisor, Christoph Heusgen, the Chairman of the German-Belarusian parliamentary group of the Bundestag Oliver Kaczmarek and members of this group, as well



as with representatives of the German expert community. A list of meetings shows that during the visit a comprehensive audit of political relations between Minsk and Berlin was conducted. According to Steinmeier, Vladimir Makei's visit in Berlin was "an important signal" and demonstrated "a real prospect of step-by-step improvement of relations between Belarus and the West".

On December 7–9 in Minsk the mission of EU experts, led by the head of the Unit for Neighborhood East of the Directorate General of the European Commission for Neighborhood Policy and Enlargement Negotiations, Mathieu Bousquet, worked. The mission task was to define priority areas of cooperation with Belarus in 2016. Right after that, one more delegation of the European Union headed by the Director for Russia, Eastern partnership, Central Asia, regional cooperation and OSCE of the European External Action Service, Gunnar Wiegand and the Deputy Director-General of DG NEAR, Katarina Mathernova arrived in Belarus. Representatives of the delegation summed up the results of the expert mission and made a number of important statements.

The EU identified the following priority areas of cooperation with Belarus for 2016: regional development, small and medium-size business, mobility and migration, technical assistance in solving of economic issues and challenges. On December 9 the delegation met with the Deputy Foreign Minister of Belarus Alena Kupchyna, and the agenda of further implementation of the program *European Dialogue for Modernization of Belarus* was adopted. There were selected seven thematic priorities for the future: privatization, trade and investment, environment, energy, transport, social development and human rights. To implement all these priorities the EU decided to double its financial help to Minsk in 2016. According to Wiegand, it will help Belarus "to get additional competitiveness and new opportunities in economic and regional development".

On December 10, the delegation met with the first Deputy Minister of Economy A. Zaborovski; they discussed the possibility of expanding investment, trade and financial cooperation as well as the cooperation aimed at the development of small and medium-size business. The need to establish a

working group to further studying of these issues was stated. The meeting also addressed the issues of the European Union assistance to Belarus in joining the WTO and prospects of financing of Minsk by the international financial institutions.

On December 13–14, Vladimir Makei was on a working visit to Brussels. He held talks with the High Representative of the EU for Foreign Affairs and Security Policy, Federica Mogherini and the Commissioner for European Neighborhood Policy and Enlargement Negotiations, Johannes Hahn. However, especially noteworthy is the meeting with all Foreign Ministers of the EU countries-members, during which, according to the press service of the Belarusian Foreign Ministry, the sides exchanged views on the state and prospects of cooperation between Belarus and the European Union.

Positive assessments of the development of the Belarusian-European relations can also be found in the Review of the foreign policy outcomes of the Republic of Belarus and activities of the Ministry of Foreign Affairs in 2015<sup>5</sup>.

## Conclusion

In 2015 the Belarusian-European relations reached the level of 2010 and even slightly surpassed it, if to consider a rich bilateral agenda and the fact that these relations passed the 'test for the election'. It will be fair to indicate an active process of normalization of relations, in which both sides are interested. These trends are further supported by the priority of security issues due to the Ukrainian crisis and the conflict between Russia and the West, in which Belarus tries to take a neutral stand.

In 2016, relations with the European Union will continue to deepen, with a view to the conclusion of certain agreements in areas of mutual interests. The parliamentary elections may slow down the process of normalization, but, as the experience of the previous campaigns show, it is unlikely to freeze it completely.

<sup>5</sup> See «Обзор итогов внешней политики Республики Беларусь и деятельности Министерства иностранных дел в 2015 году.» *МИД РБ*. Web. 9 Mar. 2016. <<http://mfa.gov.by/publication/reports/ad9a745931227143.html>>.

## **BELARUSIAN-AMERICAN RELATIONS: CHANGES ARE POSITIVE, PROSPECTS ARE VAGUE**

**Andrei Fyodarau**

### **Summary**

Relations between Belarus and the United States continue to improve. The progress is not rapid, though. Minsk displayed a genuine commitment to cooperation taking no explicit actions that could disrupt this process. As a result, a certain progress in relations between the two countries is obvious. However, this process does not seem irreversible due to a number of significant internal and external factors.

### **Trends:**

- Bilateral cooperation is being expanded and strengthened;
- Political differences are relegated to the background, although some fundamental contradictions still stand;
- The future of bilateral relations remains uncertain.

### **Event history**

*February 3:* Foreign Minister of Belarus Vladimir Makei meets with Laurence Bower, Senior Vice-President of Culligan International, the world's leader in water treatment technologies.

*February 23:* Business talks at the level of deputy ministers of agriculture of Belarus and the US take place in Washington.

*February 26–28:* Eric Rubin, Deputy Assistant Secretary in the Bureau of European and Eurasian Affairs, visits Minsk again to meet with Alexander Lukashenko, Vladimir Makei, representatives of civil society, the political opposition and relatives of political prisoners.

*May 14:* A delegation of the Foreign Ministry of Belarus meets with officers of the Department of State in Washington to address human rights issues.

*May 18–25:* A Belarusian delegation headed by Minister of Agriculture and Food Leonid Zayats goes to the United States.

*May 25–29:* A Belarusian delegation visits Washington to exchange experience and national practices in combating human trafficking.

*June 10:* US President Barack Obama extends the sanctions against Belarus imposed in October 2004 by the US Congress under the Belarus Democracy Act for one more year.

*June 28:* The Belarusian Football Federation and the US embassy consider cooperation possibilities.

*June 9:* General Motors and Belarusian JV Unison sign an agreement on SKD assembly of Chevrolet Tahoe cars.

*August 2–4:* A group of US congressmen meets with Alexander Lukashenko in Minsk.

*August 24:* The United States welcomes the release of six political prisoners in Belarus.

*September 11:* Vladimir Makei meets with Under Secretary of State for Management Patrick Kennedy.

*October 12:* The Department of State praises the peacefulness of the presidential election in Belarus thus expressing disappointment over the unfree and unfair campaign.

*October 13:* Foreign Minister Makei meets with head of the American Spiritual Diplomacy Foundation Mikhail Morgulis and his deputy Mark Bazalev.

*October 29:* The US Treasury reports that sanctions against a number of Belarusian enterprises are extended until April 30 2016. The sanctions get less severe.

*November 4–6:* US Deputy Assistant Secretary of State for European and Eurasian Affairs Bridget Brink and Deputy Assistant Secretary of State for Democracy, Human Rights, and Labor Robert Berschinski visit Minsk.

*November 13:* Vladimir Makei meets with Jamestown Foundation President Glen E. Howard.

*December 13–18:* A delegation of the US scientific community takes part in a Belarusian-American seminar on scientific and technical cooperation in Minsk.

*December 16:* Washington hosts a regular meeting as part of the Human Rights Dialogue.

### **Tactical rapprochement continues...**

Considerable quantitative and qualitative changes that have occurred in bilateral relations in the American direction are obvious if we compare the history of events in 2015 with that

of the previous year. The early 1990s, when so many contacts in various fields from high politics to football were a matter of course, just come to mind.

Perhaps most striking is the fact that Belarusian officials voiced almost no criticism of the United States for the first time over the past *two decades*. On the contrary, America's role and positive developments in bilateral relations were emphasized regularly in public speeches, including those made at the highest level.

This quite unusual (to put it mildly) situation was first marked on January 29. At a meeting with Belarusian and foreign journalists, Alexander Lukashenko said that Belarus felt no pressure on the part of the United States and that both countries made a series of unannounced contacts. "The Americans never pressurized us, especially at this time ... There is certain inertia, yes ... But no clobbering anymore... We have agreed on many things. We have implemented our agreements and so did they. We do not disclose everything. We do not publish everything, you know. We raised questions about some businesses under the sanctions. They lifted some of them. We did not make PR stunts in this respect," Lukashenko said.<sup>1</sup>

The very next day, at a conference of the US Atlantic Council on the Eastern Partnership Program, Belarus' Charge d'Affaires to the US Pavel Shydouski admitted problems with human rights in Belarus and threats to Belarus' sovereignty and asked to lend a "helping hand."<sup>2</sup>

In an interview to *Bloomberg* on March 31, Lukashenko said he was concerned that the United States "was not openly engaged" in the peace talks on Ukraine in Minsk, because, in his opinion, "stability in Ukraine could not be achieved without the Americans."<sup>3</sup>

<sup>1</sup> "Meeting with representatives of Belarusian, foreign media." *The Official Internet Portal of the President of the Republic of Belarus*. 29 Jan. 2015. Web. 2 Mar. 2016. <[http://president.gov.by/en/news\\_en/view/meeting-with-representatives-of-belarusian-foreign-media-10732/](http://president.gov.by/en/news_en/view/meeting-with-representatives-of-belarusian-foreign-media-10732/)>.

<sup>2</sup> «Белорусский дипломат попросил у Запада протянуть "руку помощи".» *Белорусские новости*. 31 Jan. 2015. Web. 2 Mar. 2016. <[http://naviny.by/rubrics/politic/2015/01/31/ic\\_news\\_112\\_453352/](http://naviny.by/rubrics/politic/2015/01/31/ic_news_112_453352/)>.

<sup>3</sup> «Лукашенко: без американцев в Украине невозможна никакая стабильность.» *Белорусские новости*. 31 Mar. 2015. Web. 2 Mar. 2016. <[http://naviny.by/rubrics/politic/2015/03/31/ic\\_news\\_112\\_456188/](http://naviny.by/rubrics/politic/2015/03/31/ic_news_112_456188/)>.

On the same day, Deputy Foreign Minister of Belarus Alexander Guryanov said that Belarus sees trade and investment cooperation with the US "as a priority", as "the Belarusian side is interested in the access to the solid and capacious American market for Belarusian producers and the ability to attract investment, promote industrial cooperation and obtain loans."

On May 19, Foreign Minister Vladimir Makei told *The Washington Post* about a so-called "list of small steps" drawn up jointly with the Department of State. According to the minister, those steps almost had been made, and "the next phase was on the way to take the bilateral relations to a new level."<sup>4</sup>

Even the extension of the US sanctions by Barack Obama was taken calmly in Minsk unlike the previous years. The Belarusian Foreign Ministry's press office only said that it made no sense to criticize this decision, because despite the disagreements, including the fundamental ones, a certain improvement of the Belarusian-American relations has been obvious to all lately."

Finally, at a meeting with a delegation of US congressmen held August 3, Lukashenko stated that "Belarus has been and will be interested in the maintaining of full-scale cooperation with the United States."<sup>5</sup>

Against this seemingly favorable background, Minsk's flat refusal to the American proposal to increase the staff of the two embassies to the pre-crisis size and, consequently, to bring the diplomatic representation back to the level of ambassadors stroke a discordant note. Also, it is strange that no response followed the alleviation of sanctions against nine Belarusian companies, which were allowed to conduct transactions. This probably happened because assets of those companies remained frozen.

<sup>4</sup> «Стенограмма интервью Министра иностранных дел Республики Беларусь В. Макея газете "The Washington Post".» *Сайт МИД РБ*. 19 May 2015. Web. 2 Mar. 2016. <[http://mfa.gov.by/press/news\\_mfa/f68c86282662364f.html](http://mfa.gov.by/press/news_mfa/f68c86282662364f.html)>.

<sup>5</sup> "Meeting with U.S. congressmen." *The Official Internet Portal of the President of the Republic of Belarus*. 3 Aug. 2015. Web. 2 Mar. 2016. <[http://president.gov.by/en/news\\_en/view/meeting-with-us-congressmen-11880/](http://president.gov.by/en/news_en/view/meeting-with-us-congressmen-11880/)>.

As concerns economics, intensive contacts in the field of agriculture and one more attempt to launch the assembly of American vehicles (this time by *General Motors*) are among the events that inspire hope.

However, historically, such expectations are not always been met. For example, Belarus obviously hoped that after the sanctions against the Belarusian Potash Company were lifted a year before, the BPC would resume supplies of potash fertilizers to the United States and increase the turnover significantly. However, although the first shipment of fertilizers passed customs clearance procedures in the US in February, mutual trade was not boosted.

Since both sides provide very different information on the mutual trade turnover, it makes sense to view the data separately. According to the *National Statistics Committee of Belarus*<sup>6</sup>, in 2015, the trade turnover with the United States amounted to USD 568 million (527.6 million in 2014). Exports totaled 122 million and imports 445 million, the trade deficit being down from 428 to 323 million.

According to the US Department of Commerce<sup>7</sup>, the trade turnover decreased from 225 to 217 million dollars. Belarus' exports amounted to 157.8 million (131.4 million in 2014) and imports stood at 59.3 million (91.4 million in 2014.). The surplus was reported at 98.5 million. It is hard to explain this difference. Anyway, it is clear that the volume of trade with the world's leading economy remains negligible regardless of the calculation methods.

Moreover, there are serious doubts that the business cooperation can be dramatically expanded in the foreseeable future. The main obstacle is that even if the international relations are rectified to the maximum, large companies will not

<sup>6</sup> "Data on foreign trade of the Republic of Belarus with selected countries in 2015." *National Statistical Committee of the Republic of Belarus*. Web. 2 Mar. 2016. <[http://www.belstat.gov.by/en/ofitsialnaya-statistika/macro-economy-and-environment/vneshnyaya-torgovlya\\_2/operativnyedannye\\_5/data-on-foreign-trade-of-the-republic-of-belarus-with-selected-countries/](http://www.belstat.gov.by/en/ofitsialnaya-statistika/macro-economy-and-environment/vneshnyaya-torgovlya_2/operativnyedannye_5/data-on-foreign-trade-of-the-republic-of-belarus-with-selected-countries/)>.

<sup>7</sup> "Trade in Goods with Belarus." *United States Census Bureau*. Web. 2 Mar. 2016. <<http://www.census.gov/foreign-trade/balance/c4622.html>>.

go somewhere unless there is a proper businesses environment. Everyone knows that the Belarusian leadership strongly opposes any economic reforms, which could create such environment like nothing else.

### ... but strategic disagreements are too deep

Antagonism between Minsk and Washington continues to persist when it comes to some important political aspects. Fundamentally different views on democratic liberties and human rights are among them.

Presently, these contradictions are put on a back-burner, but they can top the agenda again at any moment. There are two basic prerequisites for that. Firstly, since there is a real war with thousands of victims right across the border, the Belarusians, who are not too prone to political activism even without that, have practically ceased to show any inclination to protest at all now, so the government no longer needs to act in the usual brutal manner that has resulted in a certain mitigation of the position of the West, including that of the United States.

However, secondly, the rapid drop in the living standards in the country can lead to mass manifestations of popular discontent and the regime will certainly be trying to suppress it in the way it usually resorts to. This will inevitably cause a negative reaction of Washington and bring back the rigid policy towards Belarus. At least US Deputy Assistant Secretaries of State Bridget Brink and Robert Berschinski, who visited Minsk in November, assured representatives of the Belarusian democratic community that such a reaction would follow immediately.<sup>8</sup>

There is one more quite possible scenario that can bring about the same result: the ongoing de-escalation of tensions between Belarus and America can fall a victim of the global confrontation. It is hard to imagine that Moscow will remain coldly indifferent seeing that its partner in all post-Soviet

<sup>8</sup> «США через полгода примут решение по санкциям против Беларуси.» *Белорусские новости*. 5 Nov. 2015. Web. 2 Mar. 2016. <[http://naviny.by/rubrics/politic/2015/11/05/ic\\_news\\_112\\_466232/](http://naviny.by/rubrics/politic/2015/11/05/ic_news_112_466232/)>.

institutions is not totally loyal when it comes to its conflict with Ukraine or Turkey, especially as Russia has more than enough leverage to rap knuckles.

In particular, it is logical to assume that an escalation of the confrontation with NATO can push the Kremlin to wring consent out of Minsk to place not only one or several air bases in Belarus, including bases for strategic bombers, but also to deploy Iskander-M missiles capable of carrying nuclear warheads in the country. No doubt, this will not promote a better understanding between Belarus and the United States.

### Conclusion

Contrary to pessimistic forecasts, in 2015, the relations between Belarus and the United States evolved in a positive way and almost peaked for the first time over the past *two decades*. This includes ongoing communication between law enforcement agencies, improving inter-regional ties, cooperation in the field of science, culture and education.

Apparently, the Belarusian leadership is guided by two considerations in aspiration to more or less normalize relations with America. *Firstly*, Minsk hopes to get easier access to credit resources from international financial institutions and investments. *Secondly*, the reaction of Minsk to Russia's aggression against Ukraine shows deep concern about the Kremlin's unpredictability. Belarus fears that under certain circumstances it may suffer Ukraine's fate and hopes that the West, especially the United States, would prevent the annexation pursuing its own interests regardless of the attitude towards the Belarusian leadership.

The White House is apparently not averse to take advantage of the situation, although it hardly believes that Minsk will distance itself from Moscow under the current regime. The United States is not inclined to see Belarus as a serious element of the containment strategy in relation to Russia.

America is also interested in avoiding security issues that may arise in Belarus, which has proved itself quite a reliable partner in terms of combating the illegal migration, human trafficking and smuggling of arms and illegal drugs.

Nevertheless, it looks like Belarus and the United States have almost hit the ceiling in their rapprochement. Moreover, there is no guarantee that a return to the old confrontation is impossible given the domestic problems and the aggravation of the overall situation in the region, so we cannot rule out the possibility that anti-Americanism will once again prevail in the foreign policy of Belarus.



## **POLAND AND BELARUS: COOPERATION OF REGIONS AS THE ENGINE OF BILATERAL RELATIONS**

**Anna Maria Dynier**

### **Summary**

2015 did not bring any breakthrough in the Polish-Belarusian relations; the dominating aspects were the interactions between the two countries at the regional level. Although there are some unsolved issues of the Union of Poles in Belarus and the small border traffic, a return to normal neighborly relations seems all the more probable due to the improvement of relations between Belarus and the European Union as a whole. In 2015 the Belarusian President ordered the release of all people recognized by the EU as political prisoners, which was the main condition of returning to the dialogue between Brussels and Minsk. In response to this step and to calm presidential elections the EU decided to suspend the sanctions in October last year, and to remove them altogether on February 15, 2016. As a result, Poland and Belarus have a chance for a greater potential to use their neighborhood and joint historical heritage for the development of tourism and economy.

### **Trends:**

- Gradual development of relations between the Polish and Belarusian regions focused on economic cooperation, historical and cultural dialogue;
- The lack of progress in bilateral relations, connected with activities of the Union of Poles in Belarus or implementation of the agreement on small border traffic;
- Decrease in trade turnover between the two countries in comparison with the previous years;
- Increase in chances of expansion of bilateral cooperation, thanks to the development of relations between the EU and Belarus.

### **Continued gentle warming**

2015 was another year when the symptoms of improvements became noticeable. At this time the relationship of a technical character developed and a considerable recovery occurred in the field of cooperation between regions. In 2015 meetings organized at the level of Prime Ministers also took place (in May and November, Conrad Pavlik, Deputy Minister of Polish Foreign Affairs, visited Belarus).

In April, Belarus and Poland signed an agreement on cooperation in the field of prevention of catastrophes, natural disasters, emergency situations and liquidation of their consequences. The contract was among others the results of the Belarusian-Polish Commission for transborder cooperation. In the context of further regulation of bilateral issues Belarus wants to sign an agreement on the payment of pensions and joint retirement calculations with Poland (as well as with the Czech Republic and Estonia).

Both countries continue cooperation in the field of common heritage. In 2015 it was decided that the Council for the Protection of Struggle and Martyrdom Sites would finance repairs of military cemeteries in Brest, where in 1920–1939 Polish soldiers were buried. The start of works is planned for 2016. In accordance with the conditions, this is not the only cemetery which will be under the care of the Polish side. At the same time, Belarus along with Russia, Armenia and Kazakhstan, expressed concern about the information that the desecration of places of burial of Soviet soldiers happens in Poland.

It is important that the problem of establishing visa application centers was solved. They should appear in eight Belarusian cities: Minsk, Brest, Hrodna, Homiel, Mahilioŭ, Baranavičy and Lida. Annually they will take up to 290 thousand applications, which will give significant relief to Polish consular services that in 2015 issued almost 400 thousand visas to Belarusian citizens (the number of refusals ranged about 1 per cent). The creation of centers also implies the improvement of the online visa system, which was regularly attacked by hackers, which made its normal functioning impossible. In November of 2015 VFS. Global company was chosen as an operator for servicing the visa centers.

Unfortunately, the political situation – first of all the EU sanctions against Russia and Russian counter-sanctions in the form of an embargo on food produced in the EU – had a negative influence on Polish-Belarusian trade. In the period from January to October 2015 Polish exports to Belarus amounted EUR 871.8 million (a decrease by 28.2% compared to the same period in 2014), and imports from this country amounted to EUR 587,7 million (an increase by 15.3%). Poland maintained a positive

trade balance with Belarus, which amounted to EUR 284 million, however year after year it is decreasing.<sup>1</sup> At the same time the size of Belarusian exports to Poland is constantly increasing, and the Republic of Poland became one of 10 most important Belarusian trading partners.

In 2015, as before, business conferences and meetings on investment opportunities for Belarus in the existing international context and the business forum for representatives of woodworking industry and furniture production were held. In addition, Belarus proposed to create a furniture producing center in Smarhon, which would consist of Belarusian, Polish, Lithuanian, Ukrainian and Russian companies. Sometimes cooperation in the industrial sector requires international agreements with other countries, as it happened when the train between the Chinese city of Chengdu and the Polish town of Lodz started to run, which led to the conclusion of additional agreements on commodity transportation between Polish and Belarusian Railways.

But it is more and more clear that without an improvement in political relations between Minsk and Warsaw the opportunities of economic development will remain limited. This cooperation is also complicated by economic problems with which Belarus has tried to cope for years, for instance, by devaluating the Belarusian ruble.

### The importance of regional cooperation

Nevertheless, 2015 was a period of strengthened regional cooperation between Poland and Belarus. Relations among regions of both countries (also in the framework of Euro-regions) and among separate countries were developed.

The cooperation within the European region *Buh* was of a significant importance. In its framework, among other

<sup>1</sup> “Handel Zagraniczny I-IX 2015 r.” *Główny Urząd Statystyczny*. Web. 14 Apr. 2016. <<http://stat.gov.pl/obszary-tematyczne/ceny-handel/handel/handel-zagraniczny-i-ix-2015-r-,5,7.html>>; “Statystyczna informacja o eksporcie i imporcie Polskiza 2014 r.” *Ministerstwo Gospodarki. Departament Strategii i Analiz*. Web. 14 Apr. 2016. <<http://www.me.gov.pl/files/upload/8437/syntzewn2014ost.pdf>>.

things, a geographic information portal on tourism, culture, entrepreneurship and labor markets of separate regions for entrepreneurs in the tourism sector was created. The project cost of about EUR 330,000 was funded by the cross border cooperation program *Poland – Belarus – Ukraine*. Cooperation is also carried out in the framework of the European region *Nioman*, which develops primarily cultural and tourist projects. Local entrepreneurs regularly hold sales to strengthen business cooperation.

Cross-border cooperation program ‘Poland – Belarus – Ukraine 2007–2013’ has a special importance for regional cooperation of both countries: under this program the project *Expansion of Effluent Treatment System in the Basin of the Western Buh* was implemented at the cost of about EUR 2 million. In 2015 the construction of effluent treatment plant in Kamianec was completed, and the Belarusian side will apply the Bank for Reconstruction and Development for an additional loan of EUR 16 million to build the same plant in Brest.

As a part of this program also a scanning system of transport at the transition Kuźnica – Bruzhi is built, and the road crossing Polowce – Piaśchatka is upgraded. Thanks to the program in 2015, firefighters from Brest received four fire engines. Further cooperation of both countries is planned in the framework of *Polish-Belarusian Cross-border Security. Increase of the Capacity of Firefighters and Rescue Services*. In the framework of cross-border cooperation the monitoring of the crossing Kazłovičy – Koroszczyn was done, which aimed to increase the capacity and optimize the Polish and Belarusian services.

Cooperation is also carried out directly between the regions of both countries, as, for example, between Mahilioŭ region and the Kuyavian-Pomeranian Voivodeship and between cities, including the twin cities (Vicebsk and Lodz). Joint action is, among other things, the organization of cultural days, festivals and fairs, as well as forums for local entrepreneurs. In 2015, in Hrodna there was the third meeting of twinned towns of Belarus and Poland (the previous ones took place in Brest in 2002 and in Białystok in 2014).

Poland and Belarus also cooperate in the field of environmental protection – both countries will create a joint

project for the protection of the bison population. Also, both states want to cooperate in the construction of the waterway between the Baltic and Black seas, which requires the restoration of about 2 km of waterway E-40 from Brest to Warsaw navigation. This project received additional funding in the framework of cross-border cooperation program 'Poland – Belarus – Ukraine 2007–2013'.

Thus, it is clear that in the situation of still tense political relations, the task of developing bilateral contacts was thrown entirely onto Polish and Belarusian regions. Importantly, both countries increasingly develop this form of cooperation, which in the future shall be extended to economic and interpersonal contacts.

### Waiting for small border traffic

The lack of small border traffic (SBT) is still considered the greatest weakness of the Polish-Belarusian relations. Despite the fact that the Treaty was signed and ratified in 2010, the Polish side has not yet received the ratified note.

The results of studies conducted by the Main Statistics Committee showed that the greatest number of actions related with traffic on the land border of Poland, took place on the territory of 50 km from the border. This testifies to the high percentage of people who crossed the border and spent money in this area and to the fact that the inhabitants of the settlements located there constitute the vast majority of people crossing the border. Thus, the lack of SBT with Belarus is particularly noticeable for people who live in the border area, both Polish and Belarusian side of the border.

When it comes to cross-border trade, in the first three quarters of 2015 Belarusians spent in Poland nearly PLN 2 billion (on average this is by 16.5% less than in the corresponding period of 2014). In the same time, Poles spent PLN 60 million (about 13.0% less for the first three quarters of 2014).<sup>2</sup> In 2015

2 The information is worked out by the author basing on: "Ruch graniczny oraz wydatki cudzoziemców w Polsce i Polaków za granicą w III kwartale 2015 roku." *Główny Urząd Statystyczny – Urząd Statystyczny w Rzeszowie*. Web. 14 Apr. 2016. <<http://stat.gov.pl/obszary-tematyczne/ceny-handel/handel/ruch-graniczny-oraz-wydatki-cudzoziemcow-w-polsce-i-polakow-za-granica-w-iii-kwartale-2015-roku,13,6.html>>; "Ruch graniczny oraz wydatki cudzoziemców w Polsce i Polaków za granicą w II kwartale 2015 roku." *Główny Urząd Statystyczny – Urząd Statystyczny w Rzeszowie*. Web. 14 Apr. 2016. <<http://stat.gov.pl/obszary-tematyczne/ceny-handel/handel/ruch-graniczny-oraz-wydatki-cudzoziemcow-w-polsce-i-polakow-za-granica-w-ii-kwartale-2015-roku,13,5.html>>; "Ruch graniczny oraz wydatki cudzoziemców w Polsce i Polaków za granicą w I kwartale 2015 roku." *Główny Urząd Statystyczny – Urząd Statystyczny w Rzeszowie*. Web. 14 Apr. 2016. <<http://rzeszow.stat.gov.pl/opracowania-biezace/opracowania-sygnalne/obszary-przygraniczne/ruch-graniczny-oraz-wydatki-cudzoziemcow-w-polsce-i-polakow-za-granica-w-i-kwartale-2015-roku,14,6.html>>.

(compared with 2014) there was a reduction in the number of crossings of the Polish-Belarusian border by 11.3% according to the information of the Polish Border Committee, in 2015 the border was crossed by over 7.8 million people<sup>3</sup>. The reduction of crossings on the Polish-Belarusian border was, however, not due to the deterioration of relations between the countries but due to economic issues, primarily to the weakening of the Belarusian ruble and the erosion of its purchasing power.

Without a doubt, an obstacle to the development of SBT with Belarus may be the current state of border infrastructure. It is also worth noting that such an agreement makes it easier to obtain financing for the construction of crossings and access infrastructure, as it happened in the case of Polish-Russian agreement on small border traffic that came into force in July 2012. Also it promoted the development of border crossings Gronowo – Mamonovo and Bezledy – Bagratinovsk. The increase in the number of transitions is an exceptional opportunity for optimization of procedures and expansion of cooperation of the border services of both countries. It is also a chance to strengthen economic activity and tourism development on both sides of the border.

### The potential for cooperation

Despite continued political tensions, it is clearly seen that both countries have considerable potential of bilateral cooperation.

3 "Statystyki SG styczeń-grudzień 2015 r." *Komenda Główna Straży Granicznej*. Web 14 Apr. 2016. <<https://www.strazgraniczna.pl/pl/granica/statystyki-sg/2206,Statystyki-SG.html>>.

For Belarus the cooperation in the energy field will be a priority, especially in connection with the completion of construction of the nuclear power plant near Astravets, if the Belarusian government wants to sell the surplus of produced electrical energy. Currently an obstacle to export electricity to Poland is the poor condition and insufficient capacity of transmission lines.

For its part, Poland could be for Belarus a source of knowledge in the field of thermal modernization of buildings (including the EU appropriate standards), which will reduce energy demand. For Belarus the cooperation in the adoption of regulations for the telecoms market and model solutions that were implemented in Poland may be important. The Belarusian side also positively relates to MOST program in the framework of which (and other EU countries) Belarusian specialists visit Poland for training.

Cooperation in the field of tourism will also be a significant factor, especially with the advent of new opportunities in connection with new Belarusian rules on visa-free visiting of Bielawiežskaja Pušča and rafting along the Augustow Canal and the Nioman river. Initiatives have appeared for Belarus and Poland to promote together the advantages of Bielawiežskaja Pušča at tourism world conferences and encourage visiting its both parts.

An important sphere of cooperation can be sports, namely, the joint organization of competitions and events. According to Belarusian officials, Poland and Belarus expressed a desire to jointly organize Winter Universiade-2021. In addition, both parties made a list of the proposed sports facilities.

Thus, it is clear that at least due to neighborhood and common historic, cultural and natural heritage, both countries have considerable potential for cooperation and exchange of experience. In the case of improving political relations Poland is also able to support Belarus in the framework of the European Union, namely in the search of funds for investment in border infrastructure, environmental protection or tourism.

## **Conclusion**

During the period when I was writing this material, on February 15, the European Union lifted sanctions against Belarus. This

increases the chance that in 2016 not only relations between Brussels and Minsk will improve but also relations between Warsaw and Minsk. Moreover, Witold Waszczykowski, the Minister of foreign Affairs of Poland announced his visit to the Belarusian capital. Let us hope that this chance will be used not only to address non-problematic Polish-Belarusian issues related to the joint border, the environment, or creation of infrastructure, but also controversial ones, such as the issues of consulates, the functioning of the Union (Unions?) of Poles and the implementation of the agreement on small border traffic. Only in this case we can talk about a clear change in the relations between the two countries.

## BELARUS – UKRAINE: PARTNERSHIP BEYOND UNIONS

Oleg Bogutsky

### Summary

In 2015 the cooperation with Ukraine was one of the top priorities and strategically important areas of Belarusian foreign policy. The pro-Ukrainian position of the Belarusian authorities contributed to a détente in the relations with the West. Minsk became the main platform for negotiation to resolve the conflict in the Donbass region. A serious irritant for the official Kiev (at least at this stage) – the deployment of the Russian airbase in Belarus – was removed. In view of the worsening economic crisis in the region and falling energy prices, which constitute a significant share of Belarusian exports, the bilateral trade was declining. Despite the friendly relations of the official Minsk and Kiev, trade wars between Ukraine and Belarus have acquired a permanent character. However, the leaders of the two countries show a commitment to put a quick end to this.

### Trends:

- Preservation of the strategic importance of bilateral relations between the countries;
- Fixation of Minsk as the main negotiation platform for conflict resolution in the Donbass region;
- Building of cooperation in the military sphere, the readiness of Belarus to participate in ensuring energy independence of Ukraine;
- Opposing within the Eurasian Economic Union Russia's attempts to introduce anti-Ukrainian restrictive measures;
- Continuing process of demarcation of the state borders between the two countries;
- Continued reduction of mutual trade.

### The political aspect of the relationship

Throughout 2015, the Ukrainian topic was present in the public rhetoric of the Belarusian President that was pro-Ukrainian. A significant place was given to the Ukrainian issue in Alexander Lukashenko's speech at the UN General Assembly (September 28), as well as in his New Year celebration speech. Belarusian key approaches to Ukraine were formulated as follows:

- support of the territorial integrity of Ukraine;
- support of the unitary system of Ukraine, prohibition of federalization;
- non-recognition of Russian annexation of the Crimea from a legal point of view;
- support of peaceful settlement of the conflict in the Donbass region;
- demonstration of a friendly attitude to the current leaders of the country;
- “the territory of Belarus shall never be used as a bridgehead to attack Ukraine”.

On January 17, 2015 these messages were voiced by the Ambassador of Belarus to Ukraine Valentin Velichko. His statement was a kind of response to Russian and some Belarusian media speculation about a Belarusian possible participation in military actions in the Donbass region on the Russian side. In addition, on the background of the initiatives of the Kremlin on the granting a broad autonomy to the Donbass, the diplomat outlined the official Minsk position: “Belarus supports Ukraine as an integral unitary state under the current Constitution which excludes federalization”.<sup>1</sup>

In 2015 Minsk solidified as the main international negotiation platform for conflict resolution in the Donbass. During the year the negotiations and consultations in the framework of the *trilateral* contact group were held in Minsk.

The most significant event of the Minsk process for the Belarusian authority was the talks on February 11–12 in the so-called “Normandy format” between Petro Poroshenko, Vladimir Putin, Angela Merkel and Francois Hollande. During this period the European top leaders came to Belarus and met personally with President Lukashenko. The participants of the talks expressed their gratitude to the Belarusian side for the high level of the organization of the meeting. As a part of the negotiations a private meeting of Alexander Lukashenko and Petro Poroshenko took place, the latter said to the media

<sup>1</sup> «Беларусь никогда не прибегнет к агрессии против Украины – Величко.» *Сегодня.ua*. 16 Jan. 2015. Web. 27 Mar. 2016. <<http://www.segodnya.ua/politics/pnews/belarus-nikogda-ne-pribegnet-k-agressii-protiv-ukrainy-velichko-584723.html>>.



that “between Ukraine and Belarus there are no bilateral problems”.

In early 2015, the Belarusian authorities tried to increase their participation in the Minsk process as an independent player, performing some peace initiatives. In January the Minister of Foreign Affairs of Belarus Vladimir Makei at a meeting with the former President of Ukraine Leonid Kuchma stated that Belarus suggested to Ukraine and Russia its own way to resolve the crisis in the Donbass, which had previously been discussed by the Belarusian and Ukrainian presidents. On November 9 in the framework of the Munich Security Conference Vladimir Makei promoted these peace initiatives to the representatives of the EU countries, although details were not disclosed. On February 18, Lukashenko offered Ukraine mediation in the settlement of the situation in Debaltsevo (where Ukrainian forces were surrounded), but the initiative was ignored by the parties of the conflict.

The Minsk summit in February brought political dividends to the official Minsk. In February, *Reuters* referring to EU diplomatic sources, said that EU members had agreed on steps to rapprochement with Belarus. “Lukashenka proved very useful during the Minsk talks”, said the source, pointing out that the EU members discussed the ‘unfreezing’ of relations with Minsk.<sup>2</sup> On March 7, at the official level the Minister of Foreign Affairs of Latvia Edgars Rinkēvičs said that the EU intends to warm its policy towards Belarus, as Brussels had appreciated the efforts of Minsk to resolve the situation in the Donbass.

In February, the Ukrainian leaders took the initiative to invite international peacekeepers in the conflict zone in the Donbass. The Ukrainian diplomat A. Chaly said that the leading Western capitals support this initiative as well as the initiative of Minsk to join the peacekeepers. In media the information appeared that leaders of the General staff of the Belarusian military began to form peacekeeping units, whose task was to maintain order outside Belarus. Roughly it was planned to form four battalions

<sup>2</sup> «Лукашенко могут пригласить на саммит “Восточного партнёрства”.» *РОСБАЛТ*. 20 Feb. 2015. Web. 27 Mar. 2016. <<http://www.rosbalt.ru/main/2015/02/20/1370482.html>>.

of 1500 military personnel. It was noted that the formation of the peacekeeping forces coincided with the sudden maneuvers of the Belarusian military, the most extensive in the post-Soviet period.

At the end of March in an interview to *Bloomberg* Lukashenko spoke in favor of intensifying the U. S. role in the negotiation process on the settlement of the Ukrainian crisis. According to him, “without the Americans there can be no stability in Ukraine”.<sup>3</sup> The initiative was welcomed in Kiev however, it caused irritation in Moscow. The Minister of Foreign Affairs of Russia Sergey Lavrov said that he ruled out a return to the so-called “Geneva format” where the United States had taken part. However, at the end of April, Lukashenko returned to the initiative in his annual address to the Belarusian people and the National Assembly.

In spring reports appeared in the media on increasing cooperation between Belarus and Ukraine in the military-industrial complex. In particular, it was mentioned that Belarus helped in the re-equipment of the Ukrainian army. It was noted that at Orsha aircraft repair plant MI-24 helicopters of the Ukrainian army, damaged in the combat zone, were repaired. In May Belarus took part in the Riga summit of the Eastern Partnership, as a result of which its participants had to agree on the final joint communiqué. However, Belarus and Armenia did not support the wording which mentioned “the Russian annexation of the Crimea”. This was not welcomed by Kiev, however, it did not lead to a sharp aggravation of relations.

A sign of a rapid thaw in bilateral relations after the Riga summit was the statement by the Foreign Minister of Ukraine P. Klimkin. During the June meeting of the inter-parliamentary Council “Ukraine – NATO” he stressed that Belarus has a European future, and urged the EU to intensify the cooperation towards visa-free regime for Belarus.<sup>4</sup>

<sup>3</sup> «Лукашенко: Без американцев в Украине невозможно никакая стабильность.» *Комсомольская правда в Украине*. 31 Mar. 2015. Web. 27 Mar. 2016. <<http://kr.ua/politics/496576-lukashenko-bez-amerykantsev-v-ukrayne-nevozmozhna-nykakaia-stabylnost>>.

<sup>4</sup> «Климкин: У Беларуси европейское будущее.» *Корреспондент. net*. 8 Jun. 2015. Web. 27 Mar. 2016. <<http://korrespondent.net/world/3524975-klymkin-u-belarusy-evropeiskoe-budushee>>.

The Foreign Minister of Belarus paid a visit to Ukraine (August 12–16), during which he discussed not only political relations but also economic aspects. In Odessa, Vladimir Makei held trilateral talks with the Foreign Minister of Lithuania L. Linkevičius and the Foreign Minister of Ukraine P. Klimkin. The main aim of the visit was to study the possibility of expanding the supply of goods through Ukrainian commercial sea ports.

During the year, one of the most acute problems in bilateral relations was the placement of a Russian aviation base on the territory of Belarus. On December 2, 2015, the Minister of Foreign Affairs of Ukraine P. Klimkin stated that Ukraine would analyze the threats due to the fact that Belarus is a part of the military Alliance under Russian leadership. He noted that while the Ukrainian side was not able to say exactly what kind of threats there were, but having assessed risks, Ukraine would make an appropriate decision.

Earlier on October 30, at the operational command of the Belarusian military, Lukashenko said that neither Minsk, nor Moscow need the Russian airbase from a military point of view. During the following December visits of the Belarusian head to Moscow the issue of the airbase deployment was not resolved, which was welcomed by the official Kyiv.

The position of the official Minsk regarding Ukraine and the refusal to place the Russian airbase stimulated a new stage of the thaw in relations with the West. In October the European Union officially suspended the sanctions against Lukashenko and 170 other citizens of Belarus, as well as three legal entities (*BelTechExport*, *BelTechHolding*, *SpetsPriborService*) for *four months*. At the same time the U. S. Treasury suspended the sanctions against some officials and enterprises of Belarus for six months.

Shortly thereafter, the Prime Minister of Ukraine Arseniy Yatsenyuk made a statement about the inadvisability of isolating Belarus. Before the decision on suspension of sanctions, the Minister of State for European Affairs under the Foreign Ministry of France H. Désir noted that “the EU wants to be closer to Belarus – not to admit it to the EU, but as a partner for

stabilization in the region”.<sup>5</sup> The role of Belarus in resolving the Ukrainian crisis was discussed during the visit of Vladimir Makei to Berlin at the talks with German Foreign Minister Steinmeier.

In December Belarus and other countries of the EurAsEC – Kazakhstan, Kyrgyzstan and Armenia – did not support Russia on the issue of abandoning the free trade zone with Ukraine, operating under the CIS. However, Lukashenko made a ritual statement about his “concerns” about the beginning from January 1, 2016 of the agreement on a free trade zone between Ukraine and the EU, repeating the arguments of Vladimir Putin that European goods could flood across the border into the domestic market through Ukraine.

Throughout 2015 there was a process of demarcation of the state border between the two countries. On April 27 Petro Poroshenko signed the law *On ratification of the agreement between the Cabinet of Ministers of Ukraine, the government of the Republic of Belarus and the government of the Republic of Poland on the joint of state borders of Ukraine, Belarus and Poland*, approved by Verkhovna Rada of Ukraine on April 8. This topic became one of key issues during Vladimir Makei’s visit to Kyiv (August).

In September, the State Border Committee of Belarus reported that the demarcation began at the junction of Belarus, Ukraine and Poland. It is expected that the work on the designation of the state border will be completed in 2016. The demarcation is fundamentally important for Ukraine in the context of its integration plans with the European Union, as well as the possibility of applying for admission to NATO.

The Belarusian side has constantly demonstrated its readiness to assist Ukraine on the issue of energy security. At the beginning of the year, Ukraine faced a sharp crisis in the electricity sector caused by problems in the coal industry due to the conflict in the Donbass region, which in its turn led to an electricity deficit. In this regard, Kiev expressed interest in importing electricity from Belarus. On February 25, Belarusian

<sup>5</sup> «Дипломаты ЕС решили приостановить санкции против Беларуси на четыре месяца.» *TUT.BY*. 12 Oct. 2015. Web. 27 Mar. 2016. <<http://news.tut.by/politics/468281.html>>.

energy Minister Potupchik stated that Belarus was ready to supply electricity to Ukraine.

They also discussed new areas of cooperation in the oil sector. In Kiev options for the transfer of power plants to heating oil due to the shortage of coal and problems with Russian gas supplies were discussed. Most of the heating oil was assumed to be imported from Belarus. Besides, *Naftogaz of Ukraine* periodically raises the question of the possibility of *Ukrnafta* oil processing on the basis of tolling at Mazyr oil refinery. The relevant proposal was submitted to the Belarusian company in late January. Despite the positive attitude of the Belarusian side, these projects have not been implemented.

### Trade and economic relations

By the end of 2015, Ukraine took the *second place* in the turnover of Belarusian foreign trade, the *third place* in exports and the *fifth place* in imports (in 2014 it had taken the second, the second and the fourth place respectively). A high positive balance in mutual trade was kept, which for the year amounted to USD 3,471 billion (in 2014 it had been USD 5,753 billion). Belarusian exports, compared with 2014 fell from USD 4,064 billion to USD 2,521 billion, while imports decreased from USD 1,689 billion to 950 million.<sup>6</sup>

The main share of Belarusian exports to Ukraine are oil products, liquefied gas and bitumen – USD 1,825 billion, or 72.42%; for comparison, in 2014 it had been USD 3,311 billion. The physical size of supplies fell to 1.5%, i.e. the decrease in export was mainly due to the falling prices for oil and oil products. Other significant items of Belarusian exports are (in USD million): mineral fertilizers and nitrogen – 91,389, tractors and tractor units – 57,029, tires – 54,105, polished glass – 23,322.<sup>7</sup>

<sup>6</sup> “Foreign trade / Annual data.” *National Statistical Committee of the Republic of Belarus*. Web 24 Mar. 2016. <[http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-okruzhayushchaya-sreda/vneshnyaya-torgovlya\\_2/osnovnye-pokazateli-za-period-s-\\_\\_-po-\\_\\_\\_\\_gody\\_10/>](http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-okruzhayushchaya-sreda/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-__-po-____gody_10/>).

<sup>7</sup> Ibid.

The most significant areas of import from Ukraine are wastes from the extraction of vegetable oils (USD 194,328 million), metallurgical products, vegetable oil, parts of rolling stock, confectionery, and medicines.

An important event in the bilateral trade relations (January) was the agreement of the parties about the transition to Ukrainian national currency (hryvna) exchange trading in long-term contracts (except oil products). The Foreign Ministry of Belarus explained this step by the lack of monetary funds for the implementation of international agreements. Despite the ambiguity of this decision from an economic point of view due to strong fluctuations of the Ukrainian national currency, the majority of experts noted that, in the long run it will help Belarus to gain a foothold in the Ukrainian market.

Despite the importance of the relations between Minsk and Kiev, in autumn there was another sharp deterioration in trade. The initiative came from Belarus: on August 27 it introduced compulsory sanitary examination of imported goods, which led to a significant restriction of access to Ukrainian goods. Worst-hit was the confectionery industry which lost about UAH 40 million.

In response, on November 25, the Ukrainian Interdepartmental Commission on international trade adopted a decision to introduce anti-dumping duties on import of certain Belarusian goods from January 20, 2016, if Belarus did not abolish discriminatory measures against Ukrainian exports. The new duty could be levied on almost all Belarusian exports, except oil products. The conflict was resolved on December 28 in Minsk during the second session of the Belarusian-Ukrainian working group of high-level mutual trade, where the parties agreed on an algorithm of joint action to remove restrictive measures.

In spring there was an acute conflict over the activities of the Belarusian airline *Belavia* in Ukraine, which was resolved in April. Ukrainian aviation authorities gave permission to *Belavia* for fourteen flights a week between Minsk and Kiev. In addition, the airline *Ukrainian International Airlines* and *Belavia* renewed the existing codeshare agreement which allows the carriers to jointly operate the flights. The conflict was no longer relevant in autumn, when Russia and Ukraine imposed mutual bans on

flights. In this situation, Minsk became a key transit corridor for the convenient resumption of flights between Ukraine and Russia.

In connection with mutual sanctions of Russia and Ukraine, Belarus received significant benefits due to large re-exports of Ukrainian products to Russia. For example, in autumn there was an 18-fold increase in Belarusian import of apples from Ukraine for later re-export to Russia.

### Conclusion

For 2015, bilateral relations were stable and remained strategically important for both countries. Belarus is interested to keep Ukraine as one of the largest markets for its products. A significant step in this direction was the use of hryvna in mutual trade. A pro-Ukrainian position allowed the official Minsk quickly and with minimal concessions to normalize relations with the West, to get the sanctions lifted. The most significant step of the Belarusian side in the context of bilateral relations was the refusal of placing a Russian military base in Belarus.

In turn, the official Kiev was interested in the maximum security of its Northern border, uninterrupted deliveries of oil products, the implementation of other projects related to energy security and neutralization of Russia's attempts to impose restrictive trade measures in the framework of the EEU.

## BELARUS AND DEVELOPING COUNTRIES: SOUTH ASIA IN PRIORITY

Andrei Yeliseyev

### Summary

The trend towards the intensification of foreign contacts observed in 2011–2014 was over in 2015. The stagnation in relationships with Middle East countries (except Turkey and Egypt) continued. Foreign policy contacts with African and Latin American countries were fairly limited. At the same time, the Belarusian diplomacy succeeded in arranging visits of the Chinese chairman and the president of India during the pre-election period and Alexander Lukashenko's working visit to China to attend events timed to the 70<sup>th</sup> anniversary of the end of World War II.

In general, all last year's high-level visits were made to or from Asian countries, Pakistan being the leader in terms of the number of contacts.

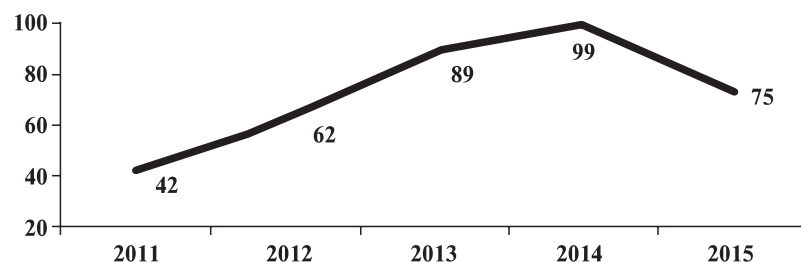
### Trends:

- The reducing number of foreign contacts with developing countries;
- A shift of foreign policy and economic priorities to countries in South and Southeast Asia;
- The benefiting from the cooperation with Morocco, Ecuador and Turkey, bypassing Russian food anti-sanctions with the use of forged phytosanitary certificates;
- The further deterioration of the trade and economic cooperation with Venezuela, Nigeria and a number of other partners in Latin America and Africa due to the deteriorating economic situation in those countries.

In 2015, the intensity of the political and diplomatic cooperation between Belarus and developing countries decreased in comparison with the previous *two* years.<sup>1</sup> Apparently, a certain ceiling of foreign policy activity of the Belarusian diplomacy in relations with developing countries was hit in 2014 (see Figure 1).

<sup>1</sup> Based on the methodology applied in the foreign policy monitoring under the aegis of the Belarusian Institute for Strategic Studies (BISS).



**Figure 1. Index of foreign policy contacts with developing countries**

*Note.* Except the dynamics of foreign policy cooperation between Belarus and China

*Source:* Foreign Policy Index BISS 2011–2014

### **Pakistan: the year's leader in foreign policy contacts**

Belarus was actively developing political relations with India, Bangladesh and Sri Lanka in 2013, and Vietnam, Laos and Cambodia in 2014. Among the largest countries of South and Southeast Asia, Pakistan was the only one out of this list before 2015. The past year saw three high-level visits at once: Alexander Lukashenko made an official visit to Pakistan in May, Pakistani Prime Minister Nawaz Sharif made a reciprocal visit to Belarus in August, and Prime Minister Andrei Kobyakov was on an official visit to Islamabad in November. Also, the Belarusian and Pakistani presidents met in China. The diplomatic and business communities of Belarus and Pakistan exchanged visits during the year.

An endorsed *Road map for bilateral cooperation in 2015–2020* envisages the establishment of joint ventures to assemble Belarusian tractors and motor vehicles in Pakistan, and a joint venture to produce textiles from Pakistani raw materials in Belarus. Pakistan is among the few developing economies, which procures a significant amount of Belarusian engineering products (mainly tractors). However, the country is neither among the top ten importers of Belarusian products in the third world, nor among top 10 largest exporters.

The relations with Pakistan stand out. The two countries formed a **joint military-technical commission**. A meeting between Foreign Minister of Belarus Vladimir Makei and the Minister

of Defense of Pakistan Khawaja Muhammad Asif during the Munich Security Conference in 2015 was one of many Belarusian-Pakistani contacts.

Belarus hopes that economic benefits of the cooperation with Pakistan will increase as the implementation of China's international infrastructure project Silk Road Economic Belt progresses.<sup>2</sup> In spring, China and Pakistan agreed on a large-scale investment project: Beijing promised to invest US\$ 46 billion in the development of Pakistan's energy industry and infrastructure.

The Chinese-Pakistani economic corridor is supposed to connect Pakistan and Gwadar seaport near the Iranian border with Kashgar in the Xinjiang Uyghur Autonomous Region of China for the future transport feeder of the new Silk Road from Kashgar to the west and farther through Central Asia, Russia and Belarus that will connect China with the European Union.

So, in due course, Pakistan and Belarus can have an efficient transport link through China, Kazakhstan and Russia as a result of the major Chinese infrastructure project. However, it is doubtful that Belarusian-Pakistani trade will undergo significant changes even in the case of a reduction in transport costs. Lukashenko's requirement to increase the trade turnover with Pakistan 10-fold to USD 1 billion a year looks unrealistic.

### **Asia and Latin America: imports pegged to potash; cooperative ties develop poorly**

As before, the list of major importers of Belarusian products among the developing economies only contains countries of Asia and Latin America, which procure large amounts of potash fertilizers. In 2015, the list of the importers is as follows (highest to lowest in terms of Belarus' export amounts): China, Brazil, India, Indonesia, Turkey, Bangladesh, Malaysia, and Vietnam. Venezuela finally dropped out of the ranks of Belarus' main

<sup>2</sup> Among the developing countries, China remains the main foreign trade partner of Belarus. Benefits and issues in the relations with China are reviewed in detail in the previous Belarusian Yearbook. There were no fundamental changes in the Belarusian-Chinese relations in 2015. See Yeliseyev, Andrei. "Belarus and Developing Countries: Looking for new 'Venezuelas'." *Belarusian Yearbook 2014*. Web. 4 Apr. 2016. <<http://nmbny.by/yearbook/2014/en/index.html>>.



trade partners. In recent years, Belarus' exports to Venezuela contracted 10-fold to only about USD 30 million last year.

Belarus attempts to set up assembly facilities in several developing countries (and has achieved some progress in talks with Pakistan, Indonesia, Bangladesh, Brazil and Ecuador in 2015) and promote its industrial commodities. Decisive successes were few last year.

*Firstly*, Belarusian OJSC *Promagroleasing* entered into a fairly big contract on supplies of 50 million dollars' worth machinery and equipment manufactured by *Amkodor* to Bangladesh.

*Secondly*, Belarus reached an agreement on an increase in supplies of mechanical-engineering equipment to India, and negotiates the joint production of buses, trucks, municipal and road-building vehicles. India declared the readiness to lend USD 100 million for joint projects.

*Thirdly*, the Eurasian Economic Union signed an agreement with Vietnam on a free trade zone that can boost exports of non-energy commodities from Belarus.<sup>3</sup>

In Latin America, Belarus stepped up the relations with El Salvador, Nicaragua, Argentina and Mexico, and continued expanding contacts with Brazil and Cuba. Cooperation with Ecuador shows the highest dynamics: Belorusneft expands its presence in seismic exploration and oil extraction projects, and plans to set up the production of Belarusian engines.

### **Africa and the Middle East: the intractable area**

There were no breakthroughs in the political and trade relations with the countries of Africa and the Middle East, except for skyrocketed imports from Morocco (see below). According to Deputy Foreign Minister Alexander Guryanov, Africa is an intractable area for Belarus.<sup>4</sup> Successes in trade with the Middle

<sup>3</sup> See Yeliseyev, Andrei. «ЕАЭС и перспективные зоны свободной торговли.» *Евразийское обозрение BISS*. Web. 4 Apr. 2016. <[bit.ly/1pLLs8L](http://bit.ly/1pLLs8L)>.

<sup>4</sup> «Стенограмма онлайн-конференции заместителя Министра иностранных дел Республики Беларусь Александра Гурьянова в Белорусском телеграфном агентстве (31 марта 2015 г.)» *Министерство иностранных дел Республики Беларусь*. Web. 4 Apr. 2016. <<http://mfa.gov.by/press/smi/ababd2c5c9c26f83.html>>.

East are also modest, not as much due to the instability in many countries of the region, as due to a negative trend in economic relations with Iran.

To date, Belarus has actually created *four* diplomatic centers in Africa – in South Africa, Nigeria, Egypt and Ethiopia – responsible for the promotion of relations in the southern, western, northern and eastern parts of the continent, respectively. In 2015, the diplomatic centers continued developing previous agreements with Mozambique and Nigeria on supplies of mining equipment and trucks, and negotiate the construction of a plant to manufacture Belarusian tractors in Ethiopia.

The preliminary agreement on the procurement of Belarusian machinery worth USD 150 million dollars by Zimbabwe was perhaps the most media featured episode of Belarus' trade cooperation with African countries in 2015. Belarusian delegations met with President of Zimbabwe Robert Mugabe *twice*, and the vice president of Zimbabwe visited Belarus. Exact terms of the contract are not known. It is likely that installments in several years were agreed upon. However, given Zimbabwe's weak credit standing, no one can be sure that this contract will be fully executed even on soft terms.

Also, Belarusian delegations headed by Deputy Foreign Minister Vladimir Rybakov went to Algeria, Angola, Egypt and Mozambique. There were no highest level visits to the African continent, though. Alexander Lukashenko met with his Egyptian counterpart Abdel Fattah al-Sisi during a UN Summit in New York. They agreed to work out a road map for bilateral trade and economic cooperation.

Economic relations with Iran have been stagnating for years: in 2015, Belarus' export turnover *halved* against 2012. During a visit of the Iranian foreign minister to Belarus, Alexander Lukashenko publicly admitted “a slowdown in the implementation of [joint] projects.”

The results of the April visit of the Iraqi foreign minister to Belarus were also minimal. Minsk is trying to put an emphasis on the trade relations with Iraqi Kurdistan as a relatively stable region of Iraq. Vladimir Makei visited Syria where, among other things, met with President Bashar al-Assad, but the future of the cooperation is very vague given the years-long

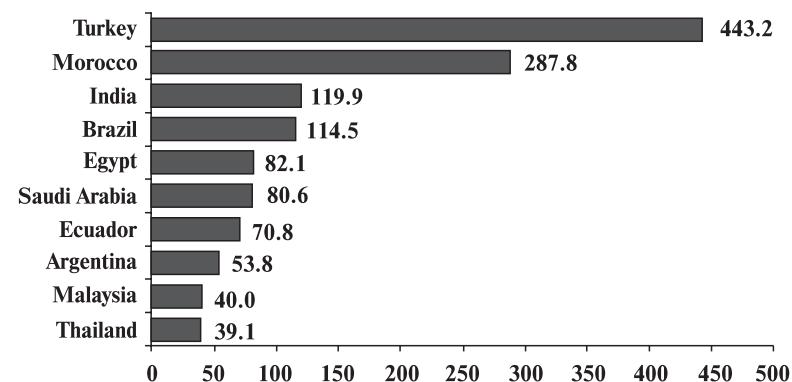
civil war and the extremely difficult economic situation in the country.

Belarus maintains contacts with Turkey as a major political and economic partner in the region. After the incident with the Russian bomber shot down by the Turkish air force, Belarus took a neutral stance and tried to offer its peace-making services to the parties. Egypt and Turkey are the *two* Middle Eastern countries, with which the trade turnover has substantially increased in recent years.

### Russian sanctions and the effect of the fictitious boost of trade with some developing countries

In late 2015, Morocco outstripped Lithuania in terms of total imports to Belarus (US\$ 300.1 million) and moved up to the top *ten* foreign importers. Among the developing countries, Morocco is only behind China and Turkey in this respect. Ecuador is surprisingly among the top ten importers too (see Figure 2).

Figure 2. Imports of Belarus: top 10 developing countries in 2015, USD million



Note. Data on China are not included. Imports from China exceeded total imports from all developing countries amounting to USD 2.4 billion in 2015.

Source: National Statistics Committee. Data of January–November 2015.

These metamorphoses in foreign trade occurred because of the numerous cases of bypassing Russian sanctions against Western foods. Belarus massively imported fruits and vegetables from Western countries with forged phytosanitary certificates of Morocco, Ecuador, Turkey and other developing countries, and then supplied them to Russia.

For example, last year, Belarus became the world leader in the trade in peaches. According to the *National Statistics Committee*, Morocco, Turkey, Egypt and Ecuador supplied Belarus with 48,500, 31,100, 13,500 and 13,000 metric tons of peaches, respectively.<sup>5</sup> The Russian Federal Veterinary and Phytosanitary Monitoring Service (Rosselkhozadzor) found hundreds of forged certificates used by Belarus to issue re-export certificates.<sup>6</sup>

An investigation revealed that according to the Belarusian statistics, in 2015, Ecuador supplied 25,000 tons of apples to Belarus worth USD 16 million, which is twice as much as Ecuador actually harvested. According Ecuador's foreign trade statistics, in 2015, exports to Belarus only totaled around 3 million dollars, mainly through the supply of roses.<sup>7</sup>

### Conclusion

The year 2015 can be called a turning point in the relations with the European Union and the United States (a thaw in the relations and the lifting of most of the sanctions), while the relations with the developing countries<sup>8</sup> can be described

<sup>5</sup> Елисеев, Андрей. «Санкции России № 3. Как Беларусь стала мировым лидером по торговле персиками.» *Деловой портал Bel.biz*. 16 Mar. 2016. Web. 4 Apr. 2016. <<http://bel.biz/so-it-goes/sankcii-rossii-persiki>>.

<sup>6</sup> «Россия будет следить за фруктами из Марокко и Эквадора, идущими через Беларусь.» *Еврорадио*. 1 Dec. 2015. Web. 4 Apr. 2016. <<http://euroradio.fm/ru/rossiya-budet-sledit-za-fruktami-iz-marokko-i-ekvadora-idushchimi-cherез-belarus>>.

<sup>7</sup> Елисеев, Андрей. «Санкции России № 1. Как Беларусь закупила в Эквадоре вдвое больше яблок, чем там было произведено.» *Деловой портал Bel.biz*. 17 Feb. 2016. Web. 4 Apr. 2016. <<http://bel.biz/so-it-goes/kak-belarus-zakupila-v-ekvadore>>.

<sup>8</sup> As in the previous *Belarusian Yearbooks* and for conceptual convenience, the term “developing countries” does not refer to the CIS members and Georgia, the countries of former Yugoslavia, and also members of the European Union and associated nations, the United States, Canada,

as a little step forward. The relations with Latin America and the Middle East kept slacking (except for Ecuador, Egypt and Turkey). It was uneasy to deal with African countries. South and Southeast Asia, particularly Pakistan, India and Vietnam, were chosen as a priority direction in 2015.

Technically, the Foreign Ministry of Belarus quite successfully followed Alexander Lukashenko's instruction to develop relations with new partners among the developing countries. The problem is that stepped up political relations not always produce a positive effect on the economy. Lead-footed state-controlled enterprises fail to seize all the opportunities provided by numerous bilateral agreements.

Belarus intends to divide its exports between Russia, the EU and other countries in equal proportions.<sup>9</sup> It should be noted that although the supplies of mechanical engineering products to the developing countries show some positive dynamics, but the progress is still inconsiderable. The same concerns the attempts to set up joint ventures and knockdown assembly plants. The Belarusian leadership tried to apply methods of cooperation they once used with Venezuela to other countries on the same scale but did not achieve much.

Meanwhile, Belarus is developing a legal framework for research collaboration with a number of developing countries. This progressive strategy is long-run and more sustainable but less profitable in the short to medium term than the simple expansion of trade relations.

Statements on the possibility for developing countries to approach the Eurasian Economic Union markets through Belarus are as realistic as the repeated statements on giving China a foothold for entering the EU market. Belarus could be an area of prime interest to India, Pakistan and others in search of approaches to the EEU market only if it secured a much better investment climate and less corruption than in other EEU member states, but this is not the case so far.

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Australia, New Zealand, Japan, South Korea, Singapore, Taiwan, Israel, and the South African Customs Union.

<sup>9</sup> «Макей о внешней торговле: Сухие цифры статистики не отражают наших усилий.» *TUT.BY*. 10 Mar. 2016. Web. 4 Apr. 2016. <<http://news.tut.by/politics/487987.html>>.

## SOCIETY

## **CIVIL SOCIETY: NEW GEOPOLITICAL REALITIES AND CHALLENGES OF FINANCIAL STABILITY**

**Yury Chausov**

### **Summary**

In 2015, the search for ways to normalize relations of Belarus with the West was the main factor influencing the activities of civil society organizations (CSO). Legal restrictions for CSOs remained the same, including political censorship during the registration of public associations and foundations, undesirable for the authorities. However, the authorities reformed the legislation on foreign funding, which affected the interests of CSOs.

Under the influence of the conflict in Ukraine and taking into account the role of Minsk as a negotiating platform, the West aimed for normalization of relations with the Belarusian authorities, which contributed both to opening of new 'windows of opportunity' for CSOs and to reducing the impact of those CSOs of the democratic spectrum which were integrated into a confrontational model of relations of foreign policy actors in the previous five years.

### **Trends:**

- Permanent regulatory restrictions for CSOs;
- Simplification for donors funding governmental projects and programs along unchanged conditions for attracting CSO financing;
- Reducing impact of human rights organizations and CSOs as democratic lobbyists on the international arena;
- Opening of opportunities for a dialogue of CSOs with the government without achieving any notable results;
- Changing conditions of CSOs functioning in connection with the thaw in relations between Belarus and the West;
- A growing importance of social, charitable and cultural projects in civil society.

In 2015, the Belarusian Third Sector nominated less high-profile initiatives than in previous years. Large-scale projects and strategies which used to be popular did not capture global attention in the circles of civil society. If on the eve of the previous parliamentary elections the politicized part claimed a decisive role in political processes, in 2015 civil

society did not show interest in the upcoming presidential elections.

From an ambition to understand the interaction of the EU with Belarus (shown in the ‘Dialogue on Modernization’) the sector moved to much more mundane aims that is to expert assistance to the government in the implementation of economic reforms in the framework of the program ‘Reforum’. If earlier discussions about the European sanctions against Belarus were a topic of heated debate, after the presidential elections CSOs perceived the suspension (with a view to complete abolishing) of sanctions if not indifferently then at least calmly.

These processes can be assessed in different ways: negatively – as a failure of CSOs in a political struggle, or positively – as a return of the Third Sector to their primary functions and the release of CSOs from political aspirations that are not typical for them. In any case, these processes influenced the concentration of CSO projects on narrow topics and industry trends, as well as on a further elimination of fundamental differences between CSOs of the democratic spectrum and NGOs loyal to the authorities.

In June 2015 the national platform of the civil society Forum *Eastern Partnership*, an influential actor at the European level, changed its leader to a former Chairwoman of the Council of youth and children’s organizations Svetlana Koroleva and took a course on turning into a full-fledged umbrella structure with developed regulations, a permanent executive and membership. Against this background, the number of participants in the conferences of the National platform dramatically reduced and the refusal of political ambitions was accompanied by an intensification of work in sectoral working groups corresponding to the components of the *Eastern Partnership*.

Within the sector the previous trends of increasing depoliticization continued. During the presidential election campaign nearly all democratic CSOs, with the exception of those that specialize in election monitoring, either ignored the campaign or were sharply critical of the participants. It is significant that as a result of the election the national platform of the FCS Eastern Partnership issued a statement imposing responsibility

for falsification of the election on the current government and the opposition.<sup>1</sup>

Overall, national CSOs are still present on the arena of Belarusian-European cooperation, but their influence has waned: they do not form trends anymore and follow a course in the footsteps defined by the state and the European subjects.

The state sets the rhythm and processes within the country. Loyalty to popularization of the national culture symbols makes the increased demand for embroidered t-shirts not an intrasectoral phenomenon but a serious fashion. Tolerant (in comparison with obtaining foreign funding for CSOs) attitude to the processes of crowdfunding, social entrepreneurship, various forms of non-political interaction of CSOs with business within the charity and corporate social responsibility makes the mentioned directions attractive for CSOs.

On the other hand, illustrative regulatory restrictions on the activities of some CSOs remain. Thus, only a direct political solution did not let a criminal case of the ethno-anarchist band *Poshuh* turn into a new large-scale process with new political prisoners. In December 2015, Belarusian human rights community recognized Mikhail Zhemchuzhny, a founder of the organization *Platform*, as a political prisoner.

Thus, in 2015 the most important factors in the development of civil society were connected with the external conditions for their activity, to which the organizations adapted.

### Growth statistics of the nonprofit sector

According to the Ministry of Justice, in 2015 106 new NGOs were registered in Belarus, which generally corresponds to the usual rate of associations registered annually (see Table 1). Compared with 2014, the total number of registered NGOs increased by 2.7% (from 2 596 on January 1, 2015 to 2 665 on January 1, 2016). Also during the year 11 new funds were registered (see Table 2).

<sup>1</sup> “Беларуская нацыянальная платформа паставіла кропку ў выбарчай кампаніі 2015 года.” *Civil Society Forum*. 1 Dec. 2016. Web. 12 Apr. 2016. <<http://npbelarus.info/belaruskaya-natsiyanalnaya-platforma-p/>>.



Table 1. The development of the number of NGOs in Belarus, 2003–2016

	30 October 2003	94	2248
	1 January 2004	155	2214
	1 January 2005	61	2259
	1 January 2006	85	2247
	1 January 2007	100	2248
	1 January 2008	94	2255
	1 January 2009	–	2221
	1 January 2010	94	2225
	1 January 2011	134	2325
	1 January 2012	118	2402
	1 January 2013	111	2477
	1 January 2014	70	2521
	1 January 2015	86	2596
	1 January 2016	106	2665
The number of newly registered NGOs (based on the results of the previous year)			
The total number of registered NGOs in the country on a certain date			

Table 2. The development of the number of funds in Belarus, 2008–2016

	1 January 2008	9	64
	1 January 2009	9	75
	1 January 2010	8	84
	1 January 2011	14	99
	1 January 2012	21	119
	1 January 2013	22	139
	1 January 2014	11	145
	1 January 2015	11	155
	1 January 2016	11	164
The number of newly registered funds (at the end of the previous year)			
The total number of registered funds in the country on a certain date			

In spring 2015 the information about the newly registered legal persons was removed from the website of the Ministry of Justice in the process of website reorganization. On the site a section on registered NGOs and their associations was left. However, the data are renewed not regularly; the information about some registered organizations is not reflected in this section. The removal of this information eliminates the possibility of a full quantitative and qualitative analysis of registered non-profit organizations, because there is no data on the registration of institutions that have recently become the most popular form for the registration of CSOs.

### Changes in legislation affecting the financial activities of CSOs

On August 23, 2015, the President signed Decree No. 5 *On foreign gratuitous aid* that approved the *Regulations on the procedure for obtaining, recording, registration, use of foreign gratuitous aid (FGA)*. This act does not change the rigid restrictive system of registration and use of the FGA.<sup>2</sup>

The new system of FGA registration established by the decree does not conform to international obligations of Belarus and to the international standards in the field of freedom of association, e. g. to the *OSCE guidelines on freedom of association*. Laws of Belarus in this area remain one of the toughest in the OSCE region, even taking into account the general trend of stricter regulation of foreign financing in the CIS countries.

The decree saves the need for pre-registration of FGA at the Department on Humanitarian Activity of the Administrative Department of the President, which allows the authorities to arbitrarily refuse permission to use the FGA. Also limits of the list of purposes for which FGA may be obtained, remain. New items were added to the list, however it does not include the following: educational activities, human rights, promotion of

<sup>2</sup> «Анализ изменений законодательства об иностранной безвозмездной помощи.» *Lawtrend*. Web. 12 Apr. 2016. <<http://www.lawtrend.org/freedom-of-association/analiz-izmenenij-zakonodatelstva-ob-inostrannoj-bezvozmezdnj-pomoshhi>>.

a healthy lifestyle, gender equality, protection of animals and other aspects of NGO activities. FGA for purposes that are not listed can be obtained only by a decision of the office of the President. FGA *senders* are citizens of Belarus, permanently residing abroad, and foreign citizens; FGA *recipients* are classified as foreign citizens and stateless persons permanently residing in Belarus.

Positive changes introduced by the new decree include an exception from the concept of the FGA of anonymous donations received in Belarus. This eliminates the statutory provision, which did not work in practice, but turned the work of the charity and other organizations on the use of funds collected in the donation boxes into punishable activities.

The decree imposes more stringent reporting requirements, strengthens state control over the use of the obtained FGA, complicates the process of exemption of this aid from taxes, and creates a preference to humanitarian projects and programs approved by the state, compared to the projects of CSOs. The administrative and criminal responsibility for violation of the order for usage of foreign donations, which is criticized by civil society, remains. For public associations, even a single violation of the procedure for obtaining the FGA may be grounds for liquidation.

In 2015 there was a reform of *international technical assistance* (ITA). On October 23 a number of regulations on implementation of ITA projects (programs) came into force, the resolution of the Council of Ministers of the Republic of Belarus of July 13, 2015 No. 590 *On changes and amendments in some resolutions of the Council of Ministers of the Republic of Belarus* can be considered the main of them. The regulation introduced a one stop principle in all ITA projects through the Ministry of Economy, reduced the number of documents for registration and processing.

The Commission on international technical cooperation under the Council of Ministers created the Coordination Council with the participation of representatives of state bodies, non-governmental sector (including representatives of the Belarusian Helsinki Committee and other independent CSOs), ITA donors. The Center for international

technical assistance of the European Union was established in Minsk.<sup>3</sup>

Despite a number of technical improvements the principle of the permissive system of FGA and ITA registration that does not meet the international obligations of Belarus, remained unchanged. The problem of distinguishing FGA and ITA concepts remained. A new procedure of obtaining and registering aid from abroad facilitates the efforts of state agencies, but does not simplify the task for NGOs.<sup>4</sup>

Now the FGA and ITA looks for the Belarusian government like an attractive target grants which, unlike loans, should not be returned. Even in the period of confrontation with the European Union and the U.S. Belarus received more than EUR 100 million of aid a year from foreign foundations, and an increase of the flow (perceived as subsidies) under the conditions of crisis can be very helpful.

The Belarusian Foreign Ministry began negotiations with German political foundations (the Friedrich Ebert Foundation and the Adenauer Foundation) about the opening of their missions in Minsk.

The law of the Republic of Belarus of December 30, 2015 *On amendments and additions to some laws of the Republic of Belarus on entrepreneurial activity and taxation*<sup>5</sup> expanded the number of recipients of tax benefits, but the practice of nominal naming of recipients of corporate donations in the Tax code that exist in the preferential regime, remained unchanged.

<sup>3</sup> «Положение о Центре международной технической помощи Европейского Союза в Республике Беларусь.» *Центр МТП ЕС в Беларуси*. Web. 12 Apr. 2016. <[http://cu4eu.by/coordination\\_unit/position.](http://cu4eu.by/coordination_unit/position.)>

<sup>4</sup> «Нововведения в законодательство о реализации проектов международной технической помощи: обзор и комментарий.» *Lawtrends*. Web 12 Apr. 2016. <<http://www.lawtrend.org/freedom-of-association/novovvedeniya-v-zakonodatelstvo-o-realizatsii-proektov-mezhdunarodnoj-tehnicheskoy-pomoshhi-obzor-i-kommentarij-lawtrend.>>

<sup>5</sup> «О внесении изменений и дополнений в некоторые законы Республики Беларусь по вопросам предпринимательской деятельности и налогообложения.» *Национальный правовой Интернет-портал Республики Беларусь*. 1 Jan. 2016. Web. 12 Apr. 2016. <<http://www.pravo.by/main.aspx?guid=12551&p0=H11500343&p1=1>>.

Under the conditions of complicated humanitarian aid and the economic crisis, in 2015 the Belarusian CSOs actively developed crowdfunding mechanisms. Platforms for charity and social projects fundraising *Ulej.by*, *Maesens.by* and *Talaka* became the most visible manifestations of this trend. It appears that the change of attitude to internal fundraising, the increase in the share of domestically collected funds for CSO projects should soon become a long-term trend that will inevitably entail a change in the direction of organizations.

### Restrictions on activities of civil society organizations

The practice of unjustified refusals to register NGOs and foundations continued. On June 10–11, the Supreme Court of Belarus considered the complaint of the initiators of the human rights association ‘For fair elections’ on the refusal to register the organization. The Ministry of Justice for the *third* time refused to register this association (the first time was in 2011, the second one in 2013).

The UN Committee on human rights prepared considerations of October 10, 2014 No. 2153/2012 in connection with the second refusal to register the association ‘For fair elections’ which took place in 2013. According to the considerations, the Republic of Belarus violated the rights of citizens to freedom of association, when it had not registered the organization in 2011 during the first attempt to obtain the status of a legal entity. Nevertheless, on June 11, 2015 once again, the Supreme Court declared the decision of the Ministry of Justice to refuse the Association in registration legal and reasonable.

The case of refusal to register the association ‘For fair elections’ is an illustration of many problems with the freedom of CSOs in Belarus: organizations repeatedly and for extended periods of time are denied in registration due to either minor and easily avoidable violations of a technical nature, or due to surveys of founders that are unspecified by law. However, the courts do not overturn decisions of the registering authorities to refuse the registration, and the decisions of the UN Committee on human rights concerning violations of freedom of association are not fulfilled.

The Ministry of Justice also refused to register the youth NGO ‘Modern view’ of the National research and educational association ‘Tell the truth’, a socio-educational public association ‘Movement of mothers 328’, and a Cultural and educational public association ‘New alternative’. In the last two cases the legal authorities introduced a dangerous practice that could potentially become a serious threat to the creation of any new NGO: the reason for the refusal was the presence of subject activities and tasks in the statutes of these two CSOs that go beyond the limits specified in name of the nature of their activities.

Common unreasonable refusals in registration of new NGOs facilitate the registration of CSOs in the form of institutions nonprofit organizations, created by one owner. Due to the relatively simple procedure of registration, this form is becoming more popular for newly established organizations. However, a number of activities (e.g. representation of interests of organization members in court, protection of their rights and legitimate interests in governmental bodies, the nomination of representatives to electoral commissions or election observers) are not available for CSOs that are registered as institutions.

Criminal responsibility for activity of unregistered CSOs under article 1931 of the Criminal code envisaging punishment by a fine, arrest or deprivation of liberty for a term up to two years, remains one of the most serious restrictions of freedom of association in the Belarusian legislation, despite the fact that new sentences under this article have not been recorded since 2008. In 2015, the examination under article 1931 of the Criminal code of the activity of unregistered religious organizations was carried out in respect of one of the Protestant churches of Homiel due to the fact that it conducted worship services outside the district in which it was registered.<sup>6</sup>

The facts of pressure on CSO<sup>7</sup> activists and the preservation of restrictive regulation of their activities did not become an

<sup>6</sup> “Гомельская пракуратура папярэдзіла пастара Нікалаенку.” *Гомельская весна*. 28 July 2015. Web. 12 Apr. 2016. <<http://gomelspring.org/be/news/4078>>.

<sup>7</sup> «Ситуация с правами человека. Аналитический обзор.» *Праваабарончы цэнтр “Вясна”*. Web. 12 Apr. 2016. <[http://spring96.org/files/reviews/ru/review\\_2015\\_ru.pdf](http://spring96.org/files/reviews/ru/review_2015_ru.pdf)>.

obstacle to the start of a dialogue between Belarus and the European Union and the United States. After the release of political prisoners and the presidential election almost without the use of violence, the way to the dialogue of the official Minsk with the Western partners opened.

Currently, the value of the dialogue and interaction with the Belarusian authorities to Western partners outweighs the importance of human rights and freedoms for CSOs. Under these circumstances external actors cease to consider the attitude of the CSOs that communicate human rights and a democratic agenda, and pay more attention to those CSOs that are ready for dialogue with the state authorities and the promotion of ideas of evolutionary change in Belarus.

### Conclusion

Due to reduced external financing and increased competition, as well as the reorientation of major donors on priority financing of state programs and projects of CSOs loyal to the authorities, in cooperation with state agencies, organizations that in the previous two decades were the hallmark of Belarusian civil society will be replaced by organizations of a different orientation. It is possible to predict the growth of social and charity CSOs, especially those that combine external funding with fundraising for the activities within the country using both crowdfunding and corporate donations, as well as the growth of loyal CSOs, building their work on an open model without an explicit and direct confrontation with the existing political model. This will entail refocusing of the activities of many CSOs, especially in terms of dialogue facilitation inside the country. The question whether this model of activity is more efficient compared to its predecessor remains open.

## OPPOSITION PARTIES AND THE PRESIDENTIAL ELECTION: SELF-WITHDRAWAL FROM THE LEGAL POLITICAL PROCESS

**Valeria Kostyugova**

### Summary

The main event that determined the life of political parties in 2015 was the presidential election and its results. Preparation, conduct and results of the election campaign determined the reformatting of the party field. During the election campaign, as in the case of all significant political campaigns, the opposition was divided. This time the split line happened in relation to the issue of cooperation with the authorities: conventionally constructive and conventionally 'ultimative' oppositions formed. It is unlikely that the current division of the opposition will be more sustainable – in 2016 for the first time during eight years, the majority of parties decided to participate in elections. Reduction of ultimateness in relation to the authorities is not likely to be limited only to electoral processes. However, the formation of stable coalitions of democratic forces is also unlikely in 2016.

### Trends:

- Highly restrictive regulatory environment for the activities of the oppositional parties within the country against the background of a tolerant attitude to this phenomenon by the European Union and the United States;
- Reduction of the core groups of the parties and the loss of skills of regular political communication with the public;
- The collapse of all electoral coalitions, post-election disengagement of organized political structures along the lines of ultimate/constructive interaction with the authorities;
- The self-withdrawal of democratic parties from the legitimate political process: at the presidential election the parties neither nominated nor supported any candidate;
- The absence of any obvious alternatives to parties as subjects of political process.

### Regulatory environment: nowhere to limit

With a few exceptions, there were no significant changes of the legislation governing the activities of political parties in 2015. Law No. 268-3 of June 4, 2015 made another clarification,



i. e. from what foreign entities it is forbidden to receive help for political parties.<sup>1</sup> In addition, Decree No. 5<sup>2</sup> excluded anonymous donations from the concept of foreign aid.

In early 2016 in Belarus there were 15 registered political parties and 1 127 party organizations<sup>3</sup>, the number of the latter increased by 56 during the last year, which is quite significant for Belarusian conditions. It is believed that new parties have not been registered since 2000, when the Conservative Christian Party *Belarusian Popular Front* obtained a legal status. However, the rigidity of the regulatory environment and various administrative obstacles force organized political structures to act either in the form of registered associations (e. g. the movement *For Freedom*) or the organizing committees of the parties (*Belarusian Christian Democracy*), or the civil campaigns (*Tell the Truth*). The organizing committees of the parties and public associations submit the documents for registration and always get rejected.<sup>4</sup>

It should also be noted that the Republican public association *Bielaja Rus*, of which most members belong to powerful government organizations, fails to achieve a resolution on the transformation into party. After the resignation of Radkov, the head of the organization, from the post of the Presidential assistant, the prospects for institutionalization of the embryo of the ruling party are regarded as even more elusive.

<sup>1</sup> «Закон Республики Беларусь от 4 июня 2015 г. № 268-3 О внесении изменений и дополнений в некоторые законы Республики Беларусь.» *Kodeksy-by.com*. 2 June 2015. Web. 6 May 2016. <[http://kodeksy-by.com/norm\\_akt/source-%D0%A0%D0%91/type-%D0%97%D0%B0%D0%BA%D0%BE%D0%BD/268-3-04.06.2015.htm](http://kodeksy-by.com/norm_akt/source-%D0%A0%D0%91/type-%D0%97%D0%B0%D0%BA%D0%BE%D0%BD/268-3-04.06.2015.htm)>.

<sup>2</sup> «Декрет Президента РБ от 31.08.2015 “Об иностранной безвозмездной помощи”.» *Kodeksy-by.com*. 31 Aug. 2015. Web. 6 May 2016. <[http://kodeksy-by.com/norm\\_akt/source-%D0%9F%D1%80%D0%B5%D0%B7%D0%B8%D0%B4%D0%B5%D0%BD%D1%82%20%D0%A0%D0%91/type-%D0%94%D0%B5%D0%BA%D1%80%D0%B5%D1%82/5-31.08.2015.htm](http://kodeksy-by.com/norm_akt/source-%D0%9F%D1%80%D0%B5%D0%B7%D0%B8%D0%B4%D0%B5%D0%BD%D1%82%20%D0%A0%D0%91/type-%D0%94%D0%B5%D0%BA%D1%80%D0%B5%D1%82/5-31.08.2015.htm)>.

<sup>3</sup> «О результатах работы органов юстиции по государственной регистрации общественных объединений, фондов в 2015 году.» *Министерство юстиции Республики Беларусь*. 17 Feb. 2016. Web. 6 May 2016. <<http://minjust.gov.by/ru/news/433/>>.

<sup>4</sup> See the article in this book “Civil society: New geopolitical realities and challenges of financial stability”.

In 2015, on the background of the Russian-Ukrainian conflict and shortly before the presidential election, the relations between Minsk and the West normalized. According to many Belarusian experts and heads of parties, the increased interaction of the EU and the USA with the official Minsk led to a loss of interest in the local political sector. For this reason, or for some other ones, it is obvious that in the reporting period, the parties functioned under much more hostile conditions, having received from their former allies no substantial support for participation in the main political campaign on a five-year plan.

### Factions and splits before the election campaign

Unchanged conditions for the functioning of parties, excluded from the political process (that is, from the struggle for parliamentary seats and government positions), prevent any unified efforts towards stability. In fact parties can compete only with each other, which makes their long-term cooperation meaningless.

At the beginning of the year the *seven* largest structures still tried to find a compromise on the nomination of a single candidate on behalf of the democratic forces. Preparations for the nomination of candidates of smaller associations had begun as early as November 2014 – in the framework of the campaign *People’s Referendum*, which united *Tell the Truth* (TT), the movement *For Freedom*, BPF, BSDP(H), on the one hand, and the block *Talaka* that consisted of the United Civil Party (UCP), the party *Fair World* (FW) and smaller organizations, on the other hand. The parties were unable to agree on a procedure for the nomination of delegates to the Congress of Democratic Forces, which was supposed to define a single candidate for the presidency.

Trained in the collection of signatures, the participants of *People’s Referendum* wanted to add the nomination by collecting signatures to the gatherings of organizations activists, contrary to the plans of the UCP and FW. However, while *seven* parties were trying to agree on the procedure for the nomination of delegates to the Congress, Alena Anisim, an activist of the *Belarusian Language Society*, announced her plans for the



presidential campaign, and so did the ex-Deputy of Parliament Valery Frolov and some more people, which reduced the already weak motivation for nominating a single candidate from political organizations.

Attempts to unite political structures before major campaigns have always been subject to three factors: (1) convenience for media – since the days of black-and-white printing; (2) convenience for external partners who are not very interested in the native peculiarities. Finally (3) the strongest figures in political organizations hope for a wave of uniting to improve their position in the political field, i. e. to ‘steamroll’ allies. Since the hope to win is excluded from the game, this threefold motivation is not enough to overcome the ambitions of political rivals among democrats.

In 2015, Anatol Liabiedzka, the head of the UCP, and Uladzimir Niakliajeu, the leader of *Tell the Truth*, revealed their presidential ambitions. As a result of long bargaining Niakliajeu ‘slammed the door’ and left the negotiation process, as well as the movement *Tell the Truth*, which is led now by Andrey Dzmitryjeu. At this stage, the remaining members immediately announced their nominations: Tatiana Karatkevich was nominated from *People’s Referendum*, Anatol Liabiedzka – from the UCP and Sergey Kalyakin – from the left-wing party *Fair World*. The nomination of two candidates from the single block of *Talaka* without licensing or registration required for their validity fixed the disintegration of this coalition. From the parties supporting the government, but not included in it, Siarhiej Haidukevich, the leader of the Liberal Democratic Party of Belarus and Mikalaj Ulakhovich, the leader of the Belarusian Patriotic Party ran for the presidency.

### **The collection of signatures and election campaign**

The stage of forming of initiative groups and collection of signatures reflected the progressive erosion of the core groups of the parties that has taken place over the past fourteen years. At the 2015 election, the CEC registered the initiative group of three candidates from the democratic political organizations – Tatiana Karatkevich’s one with a group of 1 993 people, Siarhiej

Kaliakin’s (with 1 510 people), Anatol Liabiedzka’s (with 977 people). A total of eight initiative groups were registered, while registration for the group of Mikalaj Statkevich, a former candidate for the presidency in 2010, was denied.

In 2015, the average number of participants of initiative groups of democratic forces amounted to about 1 500 people. In 2010, the number was 1 870 people, in 2006 – 2 660 people, in 2001 – 2 828. The largest initiative group of 2015 of Tatiana Karatkevich (1 993 people) was much smaller than the groups of the leaders of the previous years: in 2010 Uladzimir Niakliajeu had 3 271 people, in 2006 Alexander Milinkevich had 5 137 people, in 2001 Uladzimir Hancharyk had 4 054 people. The authorities decided to enlarge the initiative group of Aleksander Lukashenko to 10.5 thousand people, while the group of Siarhiej Haidukevich, the LDPB leader, was reduced to 2.5 thousand people from 10.4 activists in 2010.

To collect 100 thousand signatures for a candidate required by the law has always been a daunting task for political organizations due to the reduction of initiative groups and the lack of finance for these purposes. The impending socio-economic crisis and the lack of significant obstacles from the authorities to collect signatures did not help – Liabiedzka’s and Kaliakin’s groups did not cope with the task and did not submit documents for the registration of candidates. Signatures of the veteran of election campaigns Tereshchenko were invalidated – perhaps the CEC wanted to show that it is only ‘structures’ that can collect signatures.

In the end, the CEC registered four candidates – Alexander Lukashenko, Tatiana Karatkevich, Siarhiej Haidukevich and Mikalaj Ulakhovich. Thus, the democratic political organizations managed to register only one candidate.

Opposition parties and organizations questioned the authenticity (and/or the sufficient number) of signatures collected for the nomination of Karatkevich. These doubts were the original grounds for refusal to support her candidature by competing political organizations. Then the allies in the *People’s Referendum*, including the BSDP(H) (by the way Karatkevich is a member of this party) refused to support her, however, they did not obstruct the participation of their activists in her campaign.

The result was a paradoxical situation: the only democratic candidate was not supported by any of the opposition parties (which is mentioned in the PACE election results report<sup>5</sup> as a separate passage). Moreover, some politicians and media representatives said that Karatkevich and Dzmitryjeu, the leader of *Tell the Truth*, acted in agreement with the authorities to ensure the recognition of the elections.

Refusing to support a single democratic candidate at different stages, a part of political organizations announced the ‘ignoring’ of the election. The ‘ignoring’ aimed at a broad information campaign, in the result of which the turnout could be less than 50%. According to preliminary surveys by the ISEPS, the turnout would significantly exceed 50%, so the real purpose of the ‘ignoring’ campaign was to ensure the non-recognition of the presidential election by the International bodies and Western countries. In a strict sense, the ‘non-recognition of the election’ implied the maintaining of the status quo in relations between the EU and the USA both with the Belarusian authorities and with the democratic opposition.

The ‘ignoring’ campaign, which lasted, as the campaign of the presidential candidates, till the election day, was originally supported only by the emigrant information resources. After the failure with the collection of signatures for Liabiedzka the UCP joined this campaign as well as the BCD, Niakliajeu and Statkevich, who was released on August 22 along with four other political prisoners. The party *Fair World* urged its supporters to vote against all. The BPF and movement *For Freedom* did not join the campaign, in fact, having limited their participation in the election by collecting signatures for the nomination of Tatiana Karatkevich, and the monitoring campaign. In the framework of the ‘ignoring’ campaign there were four relatively small protests in the center of Minsk, as well as dozens of publications in the independent media and a number of publications in social networks.

<sup>5</sup> «В отчёт ПАСЕ включили мнение “некоторых оппозиционеров” о Короткевич.» *Euroradio*. 27 Nov. 2015. Web. 6 May 2016. <<http://euroradio.fm/ru/v-otchet-pase-vklyuchili-mnenie-nekotoryh-oppozicionerov-o-korotkevich>>.

The campaign was modest, if not poor. In accordance with the changed rules, in 2015 the state did not fund the campaigns of candidates, it supported only the information campaign of the CEC, in the framework of which the CEC sent out to voters photographs and brief biographies of the candidates and pasted them on special information panels. Candidates had to hold other events at their own expense or with the help of donations. Donations to special accounts of candidates amounted as follows (in BYR million): Lukashenko – 1 580, Haidukevich – 42.8, Ulakhovich – 33.3, Karatkevich – 25.5. The campaign of Karatkevich was held using the resources of *Tell the Truth* plus activists of other political organizations such as the BSDP(H), BPF, *For Freedom*.

The campaign was almost unnoticeable for voters. The candidates gave two presentations on television and two on radio, 30 minutes each. The results of the media monitoring held by the OSCE/ODIHR, indicate that broadcast media devoted 48% of their political broadcasting to the current President, 8% – to Karatkevich, 7% – to Haidukevich and Ulakhovich, 22% – to other political figures and 8% – to the CEC.<sup>6</sup>

The authorities interfered little with the campaign events of the candidates, having limited specially allocated places for candidates’ meetings with voters in cities (except Minsk). Haidukevich and Ulakhovich held pickets in their support mainly in Minsk, Karatkevich was actively present in regions as well, having visited more than 60 cities during her campaign. In terms of restrictions on other forms of interaction with voters she focused on personal meetings with voters.

### Observation and results

Parties and political organizations carried out two observation campaigns – *The Right of Choice* and *For Fair Elections*. The campaign *The Right of Choice* included eight political structures: the BPF Party, the organizing committees of the BCD and the Party of Freedom and Progress, the BSDP(H), the movement

<sup>6</sup> «Итоговый отчёт Миссии по наблюдению за выборами ОБСЕ/БДИПЧ.» *ОБСЕ*. 28 Jan. 2016. Web. 6 May. 2016. <<http://www.osce.org/ru/odihr/elections/belarus/221346?download=true>>.

*For Freedom, Tell the Truth*, the Belarusian Green Party, the Trade Union of Radioelectronic Industry (REI). The campaign *For Fair Elections* included the United Civil Party, the party *Fair World* and other organizations.

The reduction in core groups of political organizations affected the observation campaigns: there were fewer aspirants nominated to territorial election commissions (TEC), precinct election commissions (PEC) and the observation than in 2010. At all stages the authorities selected nominees of the democratic opposition even in a more rigid way than before – despite the fact that according to part 2 of Article 34 of the Electoral Code, at least one third of the commission members should be representatives of political parties and public associations. This requirement was fulfilled by designating the membership to the participants of commissions in state NGOs (*Bielaja Rus'*, state trade unions and the Belarusian Republican Union of Youth), regardless of the method of their nomination (mostly through labor groups).

Democratic opposition nominated 63 representatives to TEC, and only 10 were included (in 2010 there had been 71 nominees and 14 had been accepted).<sup>7</sup> Political organizations nominated 516 people to PEC, which is less than in the 2010 election (1 073 people). Despite the obvious shortage of nominees from democratic forces, the failure rate of their inclusion in the election commissions was very high – from 85% to 98%. Appeals of decisions on refusal of inclusion of representatives of political parties in the electoral commissions did not have any success.

In 2015 early voting, which provides the greatest potential for falsification of the voting results, was unprecedentedly high: 36.05% of voters voted early. In those electoral precincts where independent observers were present, the turnout in early voting was lower by about a quarter.

During early voting observers of the campaign the *Right of Choice* recorded 1 154 cases of violation of the Electoral Code,

<sup>7</sup> “Права выбару 2015. Выніковая справаздача кампаніі.” *Права выбару*. 12 Oct. 2015. Web. 2016. <<http://pvby.org/prava-vybaru-report-n6-bell1.pdf>>.

including tampering with the voter lists, voting by people not entitled to vote, voting by organized groups, improper preservation of ballot boxes. On the voting day, October 11, the observers of the *Right of Choice* recorded 419 violations, having found frequent understatements of voter lists, implausible proportions of voters voting ‘at home’, the manipulation of voter turnout, a non-transparent counting of votes, reduction of the number of those voted for Karatkevich and the overstatement of those who voted for Lukashenko, impediments to the work of observers.

According to the CEC, voter turnout amounted 87.3%, while 83.5% of all voters voted for Lukashenko, 4.4% – for Karatkevich, 3.3% – for Haidukevich, 1.7% – for Ulakhovich, 6.3% – against all.

The data of the IISEPS of the results of the voting confirmed the heterogeneity of the protest electorate<sup>8</sup> and the futility of the idea of a single candidate, for the approval of the candidature of which the democratic organizations waste their time and efforts each electoral season. According to exit polls, 50.8% of voters voted for Lukashenko, 22.3% – for Karatkevich 8.9% – against all, 7.4% – for Haidukevich 2.7% – for Ulakhovich. In 2010, 27.8% voted for all democratic candidates, 51.1% – for A. Lukashenko, 5.1% – against all. The data of 2006: 63.1% voted for Lukashenko, 18.8% – for Milinkevich (the single candidate), 4.7% – for Kazulin (in total 23.5% voted for the democratic candidates), 3.4% – against all. In 2001, 48.2% voted for Lukashenko, 21.0% – for Hancharyk, 7.1% – against all. This implies that a single candidate is equivalent to the decrease in the level of the protest vote as a whole, and to the increase of the proportion of voters who voted against all.

Tatiana Karatkevich, having combined the data of the observation campaigns of the *Right of Choice* and *Human Rights Defenders for Free Elections* filed a complaint to the Central Election Commission concerning numerous violations during the election campaign. The CEC considered the complaint, but rejected it. Under the law the CEC decision cannot be appealed

<sup>8</sup> For details see Y. Drakokhrust’s article *Public Opinion: Back to Reality* in this book.

in court. However, it should be noted that Karatkevich's campaign was very successful for Belarusian circumstances – especially given that campaign work was carried out mostly by *Tell the Truth* and was not officially supported by any of the parties.

An important feature of election-2015 is the fact that during the election campaign none of the participants called for voters to file a protest of election results publicly.

### Conclusion

In 2015, a clear demonstration of the weakness of the parties was a direct consequence of harshly restrictive regulatory environment for political activities, the wide use of repression against political activists and a progressive increase in the closeness of the authorities. However, the participation of democratic organizations in the election of 2015 proved the costs of those amenities that a legal (registered) status provides for political organizations: party activists are discouraged by the possibility of 'list' nomination for the parliamentary local elections. After a series of boycotts and 'list' participations, they lost some of the organizational skills of collecting signatures and of regular communication with the population.

In this situation one cannot count on the stability of coalitions after the presidential election. In spring 2016, three organizations – the UCP, the BCD and the movement *For Freedom* announced the formation of a centre-right coalition to participate in the parliamentary elections and the nomination of a single candidate for the presidential election of 2020. However, the BPF, which is also a center-right party, refused to participate in this coalition.

On the left flank there are no unifying processes. A policy of 'peaceful changes' and 'a dialogue with the government' declared by the movement *Tell the Truth* is perceived as conciliatory and opportunistic by other parties. Despite the fact that Tatiana Karatkevich did not recognize the election results (and the main argument of the refusal to support the single democratic candidate was the thesis that Karatkevich recognizes the election results and thereby 'legitimizes' them) the criticism and dissociation

of democratic organizations from *Tell the Truth* will intensify. In turn the ex-presidential candidates of 2010 Statkevich and Niakliajeu are trying to create a coordinating body of all democratic organizations "without communists and KGB members" (i. e. without *Fair World* and *Tell the Truth*) with the generalized goals of the victory of democracy in Belarus and protection from the 'Russian world'. Political organizations with regional structures and activists are ready to join the initiative, but are unlikely to agree to endow the coordinating authority with real power.

However, even in the Belarusian political system there is no visible alternative to parties in terms of participation in legitimate political processes.

## THE ELECTION AND THE CRISIS AS DETERMINANTS OF MASS MEDIA FUNCTIONING

Alena Artsiomenko

### Summary

Key factors that influenced the media sphere of Belarus in 2015 were the presidential election and the economic crisis. The economic downturn led to a significant reduction of the advertising market, first of all at the expense of traditional media, which may reduce both the competitiveness of national media as compared to foreign, and the competitiveness of traditional media as compared to new media. In the current economic situation state media can count on state support (which is declining though) in the current year, which will put independent media in a predicament.

As the election campaign of 2015 showed, the practice of limiting the freedom of speech did not significantly expand. However, new mechanisms of control over independent media are created, and the potential threats to the freedom of speech are growing.

### Trends:

- The negative impact of the economic crisis on traditional media and the loss of their competitiveness in comparison with new media;
- The deteriorating situation of independent media as a consequence of the economic crisis;
- Slight improvement of the situation with the freedom of speech shortly before the election and the lifting of sanctions;
- The expansion of potential mechanisms of media control.

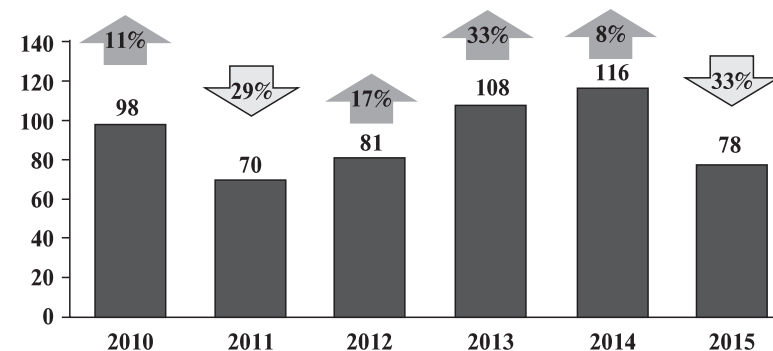
### Economic crisis and mass media: numbers

The main and most obvious marker of the economic crisis which had developed latently since mid-2014 but fully manifested itself at the beginning of 2015 is the evolution of the advertising market. According to forecasts, in 2015 the reduction of the media advertising market should have reached 35%.<sup>1</sup> In reality,

<sup>1</sup> «Обзор рекламного рынка Беларуси в 2015 году. Прогнозы на 2016 год.» *Marketing.by*. 12 Nov. 2015. Web. 29 Feb. 2016 <<http://marketing.by/analitika/obzor-reklamnogo-rynka-belarusi-v-2015-godu-prognozy-na-2016-god/>>.

the advertising market decreased by 33% in U.S. dollar terms.<sup>2</sup> The market size amounted only USD 78 million as compared to USD 116 million in 2014 (see Figure 1).

**Figure 1. Evolution of the advertising market size in Belarus, USD million**



Reduced advertising costs primarily affect traditional media. If the share of online advertising in total advertising costs in the current situation increased (from 17% to 23%), the share of TV advertising fell from 54% to 49%, which in monetary terms corresponds to the decline of TV advertising by 39%. The share of advertising on radio and in the press as a whole remained practically unchanged (see Figure 2). Thus, the advertising revenues of radio stations and print media decreased on average by 33%.

The reduced influence of traditional media on the background of the growing importance of new media manifests itself in the evolution of the number of editions and print runs. The number of published newspapers and magazines has not increased since 2009<sup>3</sup>. At the beginning of February 2016,

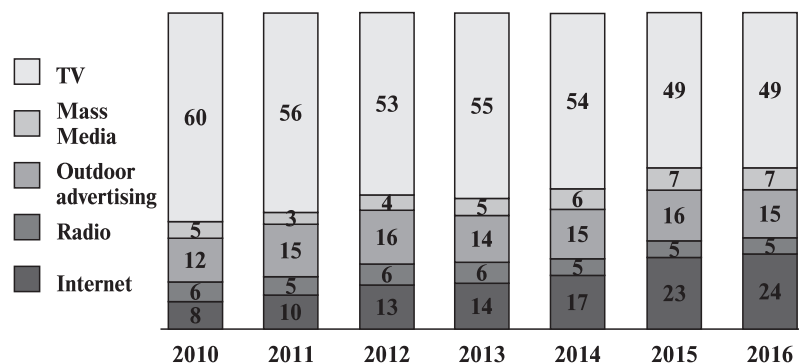
<sup>2</sup> Синькевич, Наталья. «Медийный интернет-рынок в цифрах». *Материалы VII профессиональной конференции «Интернет – эффективный медиаканал в условиях кризиса»*. Web. 29 Feb. 2016 <<http://www.webexpert.by/wp-content/uploads/2016/02/1.N.Sinkevich.Mediyniy-internet-ryinok-v-tsifrah.pdf>>.

<sup>3</sup> «Выпуск книг и брошюр, журналов и газет.» *Национальный статистический комитет Республики Беларусь*. Web. 29 Feb. 2016.

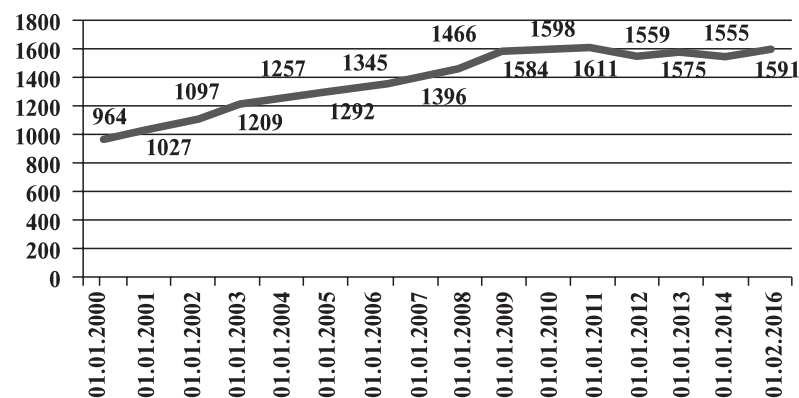


according to the Ministry of Communications 1,591 titles of print media were registered<sup>4</sup>. As compared to January 2014, the increase totals only 2.3% (see Figure 3).

**Figure 2. The distribution of advertising budgets over communication channels, percent**



**Figure 3. The evolution of the number of print media**

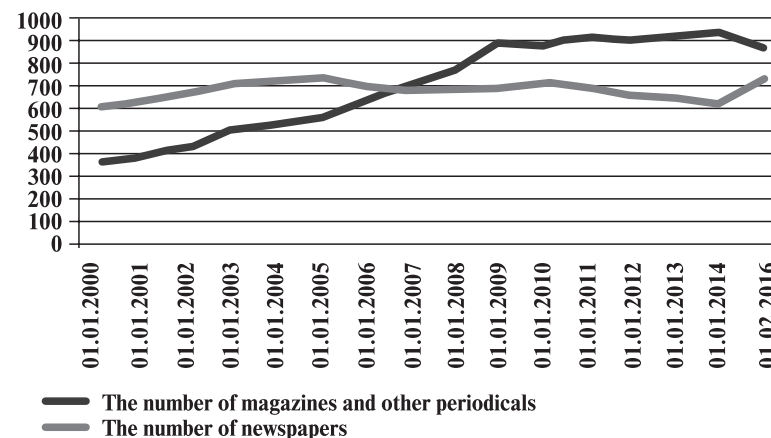


<sup>4</sup> <[http://www.belstat.gov.by/ofitsialnaya-statistika/solialnaya-sfera/kult/godovye-dannye\\_15/vypusk-knig-i-broshyur-zhurnalov-i-gazet\\_2/](http://www.belstat.gov.by/ofitsialnaya-statistika/solialnaya-sfera/kult/godovye-dannye_15/vypusk-knig-i-broshyur-zhurnalov-i-gazet_2/)>. «Сведения о средствах массовой информации, информационных агентствах на 1 февраля 2016 года». Министерство информации Республики Беларусь. Web. 29 Feb. 2016. <<http://www.mininform.gov.by/ru/stat-ru/>>.

In the current situation of the economic crisis a new trend appears. If during the review period the number of magazines grew and the number of newspapers fell down, then in 2015 we witnessed a break in the trend. Materially more costly ‘heavy formats’ that attract greatest advertising budgets are declining, whereas the number of materially ‘lighter’ publications starts to increase.

In January 2014, the number of magazines totaled 936 titles while in February 2016 it sank to 867. On the other hand, the number of newspapers, which decreased from 713 titles in January 2010 to 619 in January 2014, rose to 724 (as of February 2016), which is a structural consequence of the downturn in the media market (see Figure 4).

**Figure 4. The evolution of the number of print media by type**



In spite of the greater independence from the advertising revenues that state media have (due to government support), the reduction of the advertising market was tangible for them too. In an interview with *SB. Belarus Segodnya*, STV-channel General Director Jury Kazijatka said: “We have the help of the State that pays for us the signal propagation and issues preferences, returning some part of taxes. We spend this money to buy equipment and create new programs. But we could not but feel the loss of the lion’s share of the advertising

money; therefore, some of the entertainment projects were put off”.<sup>5</sup>

The fact that the economic crisis affects independent media more is reflected by the emergence of new types of print media. If from January 2014 to February 2016 the number of state publications increased by 5% (from 410 to 431), the increase in the number of non-state publications totaled only 1% (from 1145 to 1160). The regional situation and the development of relations between Belarus and the EU did not allow counting on the increased donor support of independent socio-political media.

Prerequisites for the preservation of the influence of traditional media and enhancement of their competitiveness, as compared to new media, are not created. Instead of the top mass communication channel – the TV – new forms of video content spreading appear. The audience of interactive television providers broadens. The number of *ZALA* (IPTV) subscribers in 2014 increased by 175.2 thousand and reached 1.02 million users.<sup>6</sup> Mobile services to view TV content develop (*Smart Zala* from *Beltelecom*, *voka* from *Velcom*, etc.). The American streaming service Netflix voiced its plans to enter the Belarusian market.

As far back as in 2014 it became evident that the national media system was not able to provide information security.<sup>7</sup> The population meets its information needs largely at the expense of Russian content. Neither state nor independent media in Belarus have a significant impact on public opinion. The reduction of the advertising market only makes matters worse, threatening information security even more.

At the same time changes in state approaches towards media are unlikely to be expected. During ten years the *State Program*

<sup>5</sup> «Лучше раньше, чем позже». *СБ. Беларусь сегодня*. 9 Jan. 2016. Web. 29 Feb. 2016. <[http://tv.sb.by/tv-tvoego-doma/article/luchshe-ranshe-chem-pozzhe-09012016.html?AJAX\\_MONTH=7&AJAX\\_YEAR=2016](http://tv.sb.by/tv-tvoego-doma/article/luchshe-ranshe-chem-pozzhe-09012016.html?AJAX_MONTH=7&AJAX_YEAR=2016)>.

<sup>6</sup> «Подведены итоги социально-экономического развития за январь–декабрь 2014 года.» *ZALA*. Web. 29 Feb. 2016. <<http://zala.by/node/5752>>.

<sup>7</sup> Artsiomenko, Alena. “National Media System: The spiral of inefficiency.” *Belarusian Yearbook 2014*. Web. 29 Feb. 2016. <<http://nmnby.eu/yearbook/2014/en/page14.html>>.

*on Introducing Digital Television and Radio Broadcasting in Belarus until 2015* was implemented. In the list of the approved state programs for 2016–2020 there are no programs aimed at strengthening information security. The state program *The Development of the Digital Economy and the Information Society*, which is the responsibility of the Ministry of Communications and Informatization, touches upon “the informatization of the state run public authorities”<sup>8</sup>, as it is said in the explanation, and does not affect the sphere of mass communication.

### Freedom of speech in the election year

The main intrigue of 2015 was the question of how strong the oppression of journalists would be during the presidential campaign. However, the self-censorship of the media, on the one hand, and the desire of the Belarusian authorities to meet the expectations of Western countries on the other, contributed to a decrease in the intensity of repression against journalists compared with previous periods.

As the authors of the BAJ monitoring put it, “among positive aspects it is worth noting the decrease in the number of short-term detentions of journalists by the police and the lack of repression against journalists and the media after the election. The latter may be explained by the desire of the official Minsk to achieve a positive assessment of the election by the international community, by the lack of serious political tension in the country during the election, and by the ‘cooling’ effect intended for the media which was achieved as a result of the preventive tightening of the media legislation and the practice of its application”.<sup>9</sup>

In addition, an interview of Alexander Lukashenko to independent media dated August 4, 2015 should be regarded as

<sup>8</sup> «Перечень государственных программ на 2016–2020 годы, направленных на достижение приоритетов социально-экономического развития.» *Совет министров Республики Беларусь*. Web. 29 Feb. 2016. <<http://www.government.by/upload/docs/file4есааб794826142d.PDF>>.

<sup>9</sup> «Массмедиа в Беларуси – 2015 № 6(46). Итоговый аналитический обзор.» *Белорусская ассоциация журналистов*. 2 Feb. 2016. Web. 29 Feb. 2016. <<http://baj.by/ru/analytics/massmedia-v-belarusi-2015-no646-itogovyy-analiticheskiy-obzor>>.

a positive point as well. Another indication of the improvement of the situation with the freedom of speech is the willingness of public broadcasters to invite independent experts to take part in public political programs such as the Sunday analytical program *Kontury* ('Contours') and the analytical program *Delo printsipa* ('Matter of Principle') on ONT TV-channel.

However, despite some positive shifts, we cannot say that the situation with the freedom of speech changed radically. The state continues to control the leverage over distributors of print media (by means of subscription and *Bielsajuzdruk* (periodical distributing network). Besides, new forms of control appear: since July 2015 media distributors must register at the Ministry of Information.

Despite the improvement of the situation with journalists who cooperated with foreign media during the election period, the prosecution of journalists picked up in December 2015: Lidzija Ščyrakova and Kiryl Žukouski who cooperate with *Belsat* TV-channel were held administratively liable. The Ministry of Information continues to issue warnings to independent media: in accordance with the new law on media two warnings are enough to stop the publication.

The situation can be described as follows. In general the actions of public authorities are aimed at strengthening their control over mass communications for information security, even if the application of these mechanisms is postponed due to circumstances. But the only obvious result is the lack of the development of the media sphere.

Contrary to a popular belief that the presidential election is becoming a less interesting and significant event for the country's citizens, the analysis of the election coverage in mass media shows the opposite. As the authors of the *BISS Political media barometer* monitoring say, the presidential election causes an unprecedented increase in the size of communications.<sup>10</sup> This suggests that the election is an event in the life of the country which stimulates the interest in politics. As a result, politicians

<sup>10</sup> «Выборы президента-2015: Специальный выпуск Политического медиабарометра BISS.» *BISS*. 8 Feb. 2016. Web. 29 Feb. 2016. <[http://belinstitute.eu/sites/biss.newmediahost.info/files/attached-files/BISS\\_PMB14\\_2015ru\\_election.pdf](http://belinstitute.eu/sites/biss.newmediahost.info/files/attached-files/BISS_PMB14_2015ru_election.pdf)>.

participating in the election, and those who opposed it were mentioned in the media more often.

The authors of the study explain this by the fact that politicians, experts and media representatives start to take an active part in the discussion of the electoral process, regardless of the position they take: from "there is no election in Belarus" to "the presidential campaign brings intrigue". Together they produce, so to say, a real discourse of the election. However, according to the study, the presidential candidates did not take an advantage of the increased interest of the media to advance their political structures – their names were more often mentioned without affiliation.

It should also be noted that, according to the results of the research, the initiative to cover the electoral process comes from the media, and in most cases politicians are just mentioned in connection with the coverage of various stages of the electoral campaign.

It should be noted that the interest of the media in political processes such as presidential elections, is very high. However, the process is not covered in a way showing the substantial part of politicians' work or to promote political structures that stand behind the candidates.

## Conclusion

The economic crisis aggravates the problem of information security, recorded in 2014. In the economic downturn traditional media are losing competitiveness, while independent media find themselves in a worse situation in comparison with state-owned media. The prerequisite for the development of the national media system is not created. In the coming years we can expect a reduction of the influence of the Belarusian mass media on public opinion.

The authorities are trying to compensate foreign influence, creating new forms of potential control over the communication space, but these measures are unlikely to be effective. The improvement of the situation with the freedom of speech will depend on political and geopolitical factors, but significant positive shifts are not to be expected.

## WWW: THE LIMITS OF DEVELOPING EXTENSIVE INFRASTRUCTURE

Mikhail Doroshevich, Marina Sokolova

### Summary

At the end of 2015, the number of Internet users aged 15 to 74 reached nearly 70% of the population. Belarus moved up from the 50<sup>th</sup> place in 2010 to the 36<sup>th</sup> in the country infrastructure development ranking, leaving all its neighbors behind. Despite the advance in the ranking, the gap between urban and rural areas in terms of Internet access remains unbridged. The Internet becomes increasingly popular as a mass medium, *google.com*, *vk.com*, *mail.ru*, *yandex.by* and *tut.by* being the most frequently visited websites.

Although well-developed public services are highly required, government sites still have not been brought into conformity with the legislation yet. The development of e-commerce and e-government actualizes the issue of protection of personal data of users, because Belarusian laws do not adequately secure the rights of data subjects. The lack of appropriate procedures to regulate Internet access is still a serious problem.

### Trends:

- Substantial inequality in terms of Internet access between urban and rural areas despite the progress in infrastructure development;
- Technical problems with the protection of personal data and legislative safeguarding of the rights of data subjects with the expansion of Internet resources;
- The 'not free' status of Belarus still assigned by Freedom on the Net.

### The infrastructure above all

As in previous years, the infrastructure remains a priority of the policy of the development of information society. Belarus moved up from the 50<sup>th</sup> place in 2010 to the 36<sup>th</sup> in the country infrastructure development ranking, leaving all its neighbors behind: the Russian Federation is ranked 45<sup>th</sup>, Moldova 66<sup>th</sup>, Ukraine 79<sup>th</sup>, Latvia 37<sup>th</sup>, Lithuania 40<sup>th</sup>, and Poland 44<sup>th</sup>.

As of the beginning of 2015, the proportion of wireless broadband subscribers constituted a little over 48.0%.<sup>1</sup> At the end of 2015, the international Internet gateway capacity reached 610 Gbps, which is five times more than in 2010. Experts predict that by 2020, the gateway capacity will be at 2 Tbps.<sup>2</sup>

The International Telecommunication Union ranks Belarus 25<sup>th</sup> in the world with 28.8% fixed broadband subscribers (17.4% in 2010) and 23<sup>rd</sup> with 57.1 per 100 households accessing the Internet. Despite the relatively good performance rating, the problem of access for all is far from being resolved. Throughout the country, nearly half of all households (43.0%) do not have a possibility to use Internet resources and services. In rural areas, this proportion makes up 60.0%.

The fact that *Beltelecom* and the National Center for Traffic Exchange remain the only entities permitted to handle connections with ISPs outside of Belarus is one of the causes of this situation. As a consequence, commercial providers face considerable difficulties. Only five out of 66 active independent providers operate in all cities, 37 in Minsk, eight in Brest, five in Vitebsk, nine in Gomel, four in Grodno and four in Mogilev.

### The audience and the use of the Internet

In December 2015, the number of Internet users aged 15 to 74 increased by 80,997 year-on-year to almost 70% of the population in this age group (Table 1).<sup>3</sup> 87% of them go online

<sup>1</sup> «Беларусь заняла 25-е место в мировом рейтинге по количеству абонентов фиксированной широкополосной связи.» *БелТА*. 23 Sep. Web. 23 Apr. 2016. <<http://www.belta.by/tech/view/belarus-zanjala-25-e-mesto-v-mirovom-rejtinge-po-kolichestvu-abonentov-fiksirovannoj-shirokopolosnoj-163703-2015/>>.

<sup>2</sup> «Внешний интернет-шлюз Беларуси к 2020 году составит более 2 Тбит.» *БелТА*. 03 Nov. 2015. Web. 23 Apr. 2016. <<http://www.belta.by/tech/view/vneshnij-internet-shljuz-belarusi-k-2020-godu-sostavit-bolee-2-tbits-168924-2015/>>.

<sup>3</sup> «Беларусь заняла 23-е место в мировом рейтинге доли домашних хозяйств, имеющих доступ в интернет.» *БелТА*. 23 Sep. 2015. Web. 23 Apr. 2016. <<http://www.belta.by/society/view/belarus-zanjala-23-e-mes->

every day, 85% have fixed access, and 59%, mostly young people (77.5%), access the Internet from mobile phones and tablets.

**Table 1. Increase in the number of Internet users**

	2009	2010	2011	2012	2013	2014	2015
Number of users, million	3.024	3.45	4.14	4.62	4.85	5.00	5.08

Note. According to *Gemius Audience*.

In 2015, SATIO Group reported a slightly smaller proportion of men among Belarusian Internet users (47.9%) than women (52.1%). Most of those going online for news are young people (40.4%) and persons aged 30 to 44 (34.2%).

The age composition of the Internet audience has changed significantly over the past six years: the proportion of users at the age of 55 to 74 has increased six times, and the proportion of those aged 19 to 24 has nearly halved (Table 2).

**Table 2: Age composition of the Internet audience, 2009 and 2015, %**

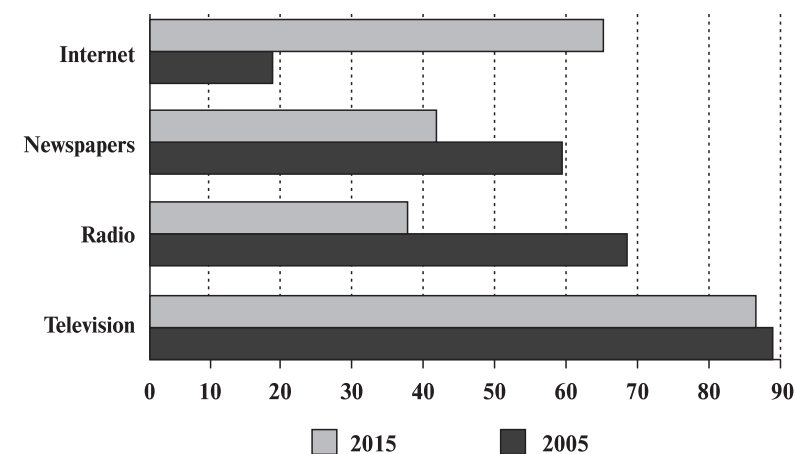
Age	2009	2015
15 to 18	8.59	5.03
19 to 24	32.67	17.79
25 to 34	28.39	27.99
35 to 44	17.25	21.88
45 to 54	11.14	15.64
55 to 74	1.97	11.67

Note: According to SATIO

The popularity of the Internet as a mass medium is increasing. In 2005, only 18% of users considered the Internet as a reliable source of information. Their proportion increased to 63.8% in 2015 (see Figure 1).

to-v-mirovom-rejtinge-doli-domashnih-hozhajstv-imejuschih-dostup-v-internet-163711-2015/>.

**Figure 1. Distribution of answers to the question “Which media do you turn to first?”, %<sup>4</sup>**



As before, most users go online in search of information (90%), the proportion of news readers thus remaining at 50%. The proportion of visitors to online networking services slightly increased from 70% in 2014 to 75% in 2015, and those making payments online was up from 20% to 25%, respectively.<sup>5</sup>

According to *Beltelecom*, internal resources provide 5% of the external gateway, while over 40% of the traffic falls on *Vkontakte* and *mail.ru*.

*Google.com*, *vk.com*, *mail.ru*, *yandex.by* and *tut.by* remain the most popular services. Among the news resources, the proportion of *news.tut.by* is increasing (from 34.7% in 2013 to 39% in 2015). The proportion of *news.mail.ru* thus goes down (from 23.1% in

<sup>4</sup> Соколова, Марина, and Доросевич, Михаил. «WWW как среда обитания.» *Белорусский ежегодник 2011*. Минск: «Наше мнение» & BISS. 2012. 165–78. Print; «Белорусские средства массовой информации: качественно-количественный анализ.» Минск: Группа компаний САТИО. 2015. MS.

<sup>5</sup> «Беларусь в цифрах. 2016.» *Национальный статистический комитет Республики Беларусь*. Web. 23 Apr. 2016. <[http://www.belstat.gov.by/ofitsialnaya-statistika/publications/izdania/public\\_compilation/index\\_4920/](http://www.belstat.gov.by/ofitsialnaya-statistika/publications/izdania/public_compilation/index_4920/)>.



2013 to 18.5% in 2015). So does the proportion of *news.yandex.by* (from 18.1% in 2013 to 14% in 2015). The new website *onliner.by* has rocketed into top three with 21.9% in 2015.

**Table 3. Internet users by search purposes and age in 2015, %<sup>6</sup>**

Purpose	Age					
	6 to 10	11 to 15	16 to 24	25 to 24	55 to 64	65 and over
Information	61.1	89.4	94.7	96.3	93.2	84.7
Audio and video	75.4	90.4	92.8	78.5	58.7	45.8
Social networking websites	37.8	86.4	95.9	75.8	61.1	47.7
Computer games	87.4	87.6	65.3	39.2	22.9	13.2
E-mail	13.1	37.3	66.8	56.6	55.6	51.9
Goods and services	0.0	4.5	39.6	34.2	20.1	15.7
Education	54.8	93.9	68.0	7.9	2.2	0.8
Financial operations	0.0	0.4	23.9	31.6	20.9	9.1

Among the social networking services, *Vkontakte* is still leading being followed by *odnoklassniki.ru* and *Facebook*. A poll by SATIO showed that Belarusian Internet users began to commonly mention *instagram.com* in 2015 for the first time (7.1%).<sup>7</sup>

Organizations use the Internet mainly to browse for information (98%). The vast majority of them carries out banking transactions and provides information to customers online (96% and 73%, respectively). As a result, they improve the working conditions and their image (87.2% and 85.3%, respectively). This leads to staff cuts only in 29.3% of cases.<sup>8</sup>

<sup>6</sup> Ibid.

<sup>7</sup> «Белорусские средства массовой информации: качественно-количественный анализ.» Минск: Группа компаний САТИО. 2015. MS; Дорошевич, Михаил. «Медиаисследование *Gemius Audience*, 01.2016, возраст 15–74.» Минск. 2016. MS.

<sup>8</sup> «Беларусь в цифрах. 2016.» *Национальный статистический комитет Республики Беларусь*. Web. 23 Apr. 2016. <[http://www.belstat.gov.by/ofitsialnaya-statistika/publications/izdania/public\\_compilation/index\\_4920/](http://www.belstat.gov.by/ofitsialnaya-statistika/publications/izdania/public_compilation/index_4920/)>.

Almost all business entities fill out tax returns (93%) and provide departmental reporting (88.7%) online.<sup>9</sup>

### E-services provided by the state

Convenient services and resources provided by government institutions are increasingly required by individuals and the business community. To a certain extent, these requirements are met by the results of the Strategy of the Development of Information Society in 2010–2015, particularly the establishment of the National Center for e-Service and the united computerized system of government agencies, the state public-key management system, and the interdepartmental system of the electronic document management. Almost all government agencies updated their websites on a regular basis.

However, according to research conducted by governmental and non-governmental organizations, sites of government agencies have not been brought into conformity with the legislation.<sup>10</sup> Experts point at the inertia of government agencies, the lack of motivation for reengineering of administrative processes, insufficient investment and poor employment of the public-private partnership as the main factors inhibiting the development of e-government services.<sup>11</sup>

As a result, the interaction between business and government agencies is reduced to obtaining information about their operations (83%) and templates to be filled in (92%).<sup>12</sup> Individuals visit sites of government agencies and organizations on rare occasions. According to a survey by the Legal Transformation Center and the sociological laboratory *NOVAK* (2015), only 10% of individuals often visit such sites and 36% never do.

<sup>9</sup> Ibid.

<sup>10</sup> Семашко, Елена. «Исследование сайтов государственных органов (организаций) в Беларуси.» Минск, 2015. Print.

<sup>11</sup> «Стратегия развития информатизации в Республике Беларусь на 2016–2022 годы.» *Nmo.basnet.by*. 03 Nov. 2015. Web. 23 Apr. 2016. <<http://nmo.basnet.by/concept/strategia2022.php>>.

<sup>12</sup> «Беларусь в цифрах. 2016.» *Национальный статистический комитет Республики Беларусь*. Web. 23 Apr. 2016. <[http://www.belstat.gov.by/ofitsialnaya-statistika/publications/izdania/public\\_compilation/index\\_4920/](http://www.belstat.gov.by/ofitsialnaya-statistika/publications/izdania/public_compilation/index_4920/)>.

The resolution of these issues depends on whether the government will be able to implement a visitor-friendly strategy, in particular:

- to introduce 'internal' e-government indicators for an assessment by individuals and business entities instead of looking only at international ratings;
- to create the institution of information intermediaries, including private businesses, to execute administrative procedures;
- to create a unified platform to interactively manage the territories on the basis of social accountability principles with the use of administrative electronic regulations within the framework of a national unified corporate municipal geo-information system and decide on the method of the identification of individuals;
- to create personal accounts with access to personal data available to the state.<sup>13</sup>

### Protection of personal data and restriction of access to electronic resources

The development of e-commerce (in 2014, the market size of e-commerce in Belarus amounted to USD 420 million; in 2012, the number of Internet shops increased 250%<sup>14</sup>) and e-government services actualizes the problem of the protection of personal data of users. According to *Lawtrend*, the technical protection of personal data is important to 85% of respondents and very important to 55%. The online privacy is important to 85% and very important to 50%. A legal analysis in this field showed that

- Belarusian laws on the protection of personal data do not meet the requirements of the Council of Europe Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data;

<sup>13</sup> Шавров, Сергей. «Электронное правительство в Беларуси.» *SYMPA*. Web. 23 Apr. 2016. <[http://sympa-by.eu/sites/default/files/library/elektronnoe\\_pravitelstvo\\_v\\_belarusi\\_shavrov.pdf](http://sympa-by.eu/sites/default/files/library/elektronnoe_pravitelstvo_v_belarusi_shavrov.pdf)>.

<sup>14</sup> «Минторг: мы за динамичный рост интернет-торговли, но по цивилизованному пути.» *People.onliner.by*. 14 Dec. 2015. Web. 23 Apr. 2016. <<https://people.onliner.by/2015/12/14/torg-32>>.

- government agencies and organizations apply different standards when acquiring, storing and processing personal data;
- normative legal acts, which regulate the functioning of various databases, lack a uniform approach to the setting of periods of personal data storage;
- individuals have no opportunity to know who, when and for what purpose collects their personal data, and who handles their personal data stored in public databases;
- there are no clear regulations on the acquisition, storage, processing and use of personal data by business entities.<sup>15</sup>

Restricted access to Internet resources remains a serious problem. Judging by the answers of respondents in a survey conducted by the Legal Transformation Center and *NOVAK* laboratory, 23% of users came across access restrictions personally and 12% had this more than once; 19% experienced a violation of the right to freely exchange information online and 9% had this more than once.

In 2015, the Ministry of Information reported restricted access to 41 websites (for the distribution of extremist materials, information for drug dealing, inappropriate promotion of medicines, child pornography and alcoholic beverages). Restrictions were lifted from four of them after violations were eliminated.

An adequate judicial procedure has not been ensured yet. The Ministry of Information is entitled to block websites at its own discretion, and legislative acts<sup>16</sup> do not provide for any appeal against orders restricting public access in court. Some experts believe that such measures are not aimed at combating

<sup>15</sup> «Защита персональных данных в Беларуси.» *Lawtrend*. Feb. 2015. Web. 23 Apr. 2016. <<http://www.lawtrend.org/wp-content/uploads/2015/02/Zashhita-personalnyh-dannyh-v-Belarusi-1.pdf>>; «Проект рекомендаций по совершенствованию законодательства Республики Беларусь о защите персональных данных.» *Lawtrend*. 2015. Web. 23 Apr. 2016. <<http://www.lawtrend.org/information-access/proekt-rekomendatsij-po-sovershenstvovaniyu-zakonodatelstva-respubliki-belarus-o-zashhite-personalnyh-dannyh>>.

<sup>16</sup> We mean the directive on the procedure of the restriction of access to information resources, according to which proxy servers used to bypass the blocking can be put on the black list (in force since February 27, 2015).

specific violations of the legislation, but at intimidating owners of websites to keep them under control.<sup>17</sup> No wonder that Freedom House ranks Belarus 'not free.'<sup>18</sup>

## Conclusion

A number of trends emerged in the previous years, continued in 2015, i. e. the state monopoly on the external gateway; the growing number of users (the increase slowed down in 2013); unequal opportunities to use the Internet in urban and rural areas; the growing popularity of online resources and the dominant position of Russian portals. The lack of appropriate procedures to regulate Internet access is still an acute problem.

There are some *new trends* as well. In response to the individuals' demand for convenient services of government agencies, the authorities started monitoring websites of the executive branch, healthcare and higher education institutions. As a result, recommendations on the modernization of those sites were made.

The implementation of e-government projects and the growing e-commerce market actualized the problem of the technical protection of personal data and legislative insurance of online privacy. In this area, the increasing public interest has stimulated the development of recommendations on the harmonization of Belarusian and European legislation. However, no one can be sure that these recommendations will be heard and followed.

The Internet gap between Minsk and other cities, not to mention rural areas, will slowly narrow first of all because the government strategy on the development of the extensive infrastructure has exhausted itself, and the weak competition does not foster high-quality and versatile services. The proportion of users at the age of 65 and over will increase mainly

because of the demographic aging of society. Only medical records and the mass media will be digitized hundred percent.

As the Internet advertising market is shrinking, the informatization measures envisaged by the government strategy will not lead to significant changes. Neither will the measures of the previous strategy of the development of information society and the program on the development of electronic services.

The development of e-government services will be based on tactical innovations initiated by enthusiasts in various government agencies and organizations. Gaps in the legislation and the deep-rooted law enforcement practice will provoke breaches of the users' right to freely access information and have protected privacy online.

<sup>17</sup> «Кто, за что и как будет блокировать сайты и анонимайзеры в Беларуси.» *TUT.BY*. 25 Feb. 2015. Web. 23 Apr. 2016. <<http://42.tut.by/437141>>.

<sup>18</sup> "Freedom on the Net 2015 (Report)." *Freedom House*. 2016. Web. 23 Apr. 2016. <<https://freedomhouse.org/report/freedom-net/freedom-net-2015>>.

## EDUCATION: BETWEEN REFORMS AND NOSTALGIA FOR THE ‘GOLDEN AGE’

Vladimir Dounaev

### Summary

The collision of the pro-reform and conservative trends in the education policy of Belarus continues to influence the pace of modernization of the education system. The secondary and higher education reform programs reinforced by international legal support have more chances to resist the attempts of a conservative *revanche* and self-isolation of the national education system.

### Trends:

- Growing internationalization of education modernization programs;
- Legal assistance of foreign stakeholders in defining strategies for reforming general and vocational education;
- Formal commitment to implement key European standards in national education;
- Positioning of civil society (Belarusian and European) as a stakeholder in education modernization processes in Belarus.

### Introduction

Certainty has never been inherent to the Belarusian education policy. Its real purpose got lost in the intricacies of conflicting interests of various political actors, who unflinchingly and hypocritically swear fealty to the president's line. Both the reformers and conservatives urged each other with one voice to strictly follow “orders and instructions of the head of state.” The year 2015 was not an exception.

Two events could become symbols of modernization of Belarusian education. The *first* one went almost unnoticed, although it could clear the path toward a deep reform of the secondary education system. The *second* one was accompanied by quite a noisy media campaign and was declared the “Bologna triumph” of Belarusian higher education.

### Secondary education reform

In early 2015, under pressure of the independent media, the Ministry of Education had to announce the launch of a large World Bank investment project worth USD fifty million.<sup>1</sup> The project provided for assistance in the transition to modern methods of collection and analysis of statistical information in the education sector, the use of effective mechanisms of financing of secondary education and more adequate assessment of the quality of secondary education in 2014–2017. This vague wording concealed a significant reorientation of the secondary education policy. This concerns not only the enhanced effectiveness of education in Belarus, which World Bank experts said was a long overdue necessity, but also a greater financial autonomy for educational institutions, certain decentralization of management and, most importantly, a sober assessment of the quality of secondary education.

This refers to Belarus' accession to the Programme for International Student Assessment (PISA) to measure the knowledge and skills of *15-year-olds* in 2018. Belarus had long shied away from the threat of what Europe called ‘PISA-shock’, a devastating revelation for many local education systems. PISA assesses the buildup of advanced competencies and skills to apply them in practice, rather than digestion of knowledge received in classrooms. The relation between the assessment results and national economic achievements is extremely close and allows speaking about GDP growth by 1% with every increase in the academic record by 50 points.

Some countries have managed to draw the right conclusions from the test results and rebuilt their secondary education. Others have been less successful in terms of modernization. The connection between PISA results and the quality of human capital is beyond all doubt. For Belarus, this sober and objective assessment of the academic progress can be an important step towards secondary education reform unless this process is

<sup>1</sup> «Всемирный банк выделил Министерству образования Беларуси грант на \$ 340 тыс.» *Министерство образования Республики Беларусь*. 23 Jan. 2015. Web. 12 Mar. 2016. <<http://old.edu.bsu.by/main.aspx?guid=18021&detail=3040663>>.

neutralized by another wave of nostalgia for the ‘golden age’ of Soviet education.

Regressive perversion has already become a usual reaction of the Presidential Administration to the attempts of the reformers in the government and the Ministry of Education to start the process of modernization of the education system. In response to the challenges that require urgent and radical reforms, paralyzing caution is what the Presidential Administration is demonstrating.

The year 2015 ended with a ban on modernization again. Deputy presidential chief of staff Igor Buzovsky said at the wrap up session of the ministry board that the country chose a strategy aimed at building up the statehood and independence that also concerned the education system. Some trends, for example the European strategies, can produce a negative result. “The effect of mindless adherence to these trends on the education system is hard to predict,” he said.<sup>2</sup>

The rejection of the modernization strategy under the pretext of its incompatibility with the Belarusian national identity was practiced in the recent past. On May 21, 2008, *Sovetskaya Belorussia* daily published a program article by Academician Anatoly Rubinov, then deputy presidential chief of staff, titled “Teaching Itch of Reformism.” Rubinov explained that considering the distinctive nature of the Belarusian nation, Belarus should keep as far away from Western temptations as possible. “They say one man’s meat is another man’s poison,” he wrote.

Like every political myth, the Belarusian national identity has its own grammar based on (1) the release and recognition of its dissimilarity from the others; (2) archaism and rejection of modernity for the sake of the utopian restoration of the past; (3) disregard for the laws of logic and common sense.

The restoration of the isolationist rhetoric, reference to the value of the past and illogical requirement to develop conceptually new approaches to education strictly following

<sup>2</sup> «Бузовский против бездумного следования зарубежным тенденциям в сфере образования.» *БелТА*. 17 Feb. 2016. Web. 12 Mar. 2016. <<http://www.belta.by/society/view/buzovskij-protiv-bezdumnogo-sledovaniya-zarubezhnym-tendentsijam-v-sfere-obrazovanija-181987-2016/>>.

the established traditions in this field, once again return us to the dead-end education policy of 2004–2010. It looks like Igor Buzovsky embodies the spirit of his predecessor, who inflicted serious damage on the education system.

The Ministry of Education has been trying to mitigate the consequences of the notorious secondary education reform of 2008 for years. It finally managed to restore industry-specific training in 2015, but the format of 12-year education, which meets international quality standards surrendered as a result of that reform, still cannot be put back on the agenda of public discourse.

The absence of tangible shifts in the quality of secondary education was once again demonstrated during the centralized testing. In 2015, a reaction to this already chronic failure showed the presence of a latent conflict of interests among the ruling groups. Debate in the National Assembly demonstrated that not everyone was ready to put up with the president’s policy of sacrificing the quality of education for manageability and political loyalty.<sup>3</sup>

It would seem that economic difficulties will definitely expedite the transition to the modern mechanisms that increase the efficiency of funding of the education system. The Education Ministry leadership has been talking about that for a long time, but no visible dynamics is observed here either. Last year, neither the attraction of private investors to support pre-school education, nor the transition to the normative funding of higher education went beyond modest experiments.<sup>4</sup>

### Roadmap for higher education reform

The conservatives cannot completely block the processes of reforming, though. The most impressive breakthrough was made when Belarus joined the European Higher Education Area (EHEA). At a conference of 47 education ministers of the

<sup>3</sup> «“Отношение к урокам – наплевательское!” Вице-премьер не согласилась с озвученными проблемами школы.» *TUT.BY*. 30 June 2015. Web. 12 Mar. 2016. <<http://news.tut.by/society/454193.html>>.

<sup>4</sup> Ключко, Ала. “Дырэктар школы ў ролі менеджара.” *Настаўніцкая газета*. 28 Jan. 2016. Web. 12 Mar. 2016. <<http://nastgaz.by/?p=23660>>.



EHEA held May 14–15 in Yerevan, Belarus had to commit itself to follow a *roadmap*<sup>5</sup> of the higher education reform. For the first time in the history of the *Bologna process*, a country-candidate made a formal international commitment to modernize higher education.

The *roadmap* envisages:

- modernization of the backward system of professional expertise, its harmonization with the European Qualifications Framework and the architecture of the European Higher Education system;
- a reform in line with the European quality assurance standards for higher education and creation of an independent agency for this purpose;
- implementation of the Bologna tools for transparency and recognition of learning outcomes (ECTS, *Diploma Supplement*);
- diversification of the international mobility of staff and students;
- development of a system of continuous education securing social equity in access to higher education and reconsideration of the obligation for students whose education is financed by public funds to accept work placements on graduation, and
- implementation of fundamental academic values.

The *roadmap* is a unique political achievement. *Firstly*, it is the first and so far only program of modernization of the most important social relations sector in Belarus compatible with European standards.

*Secondly*, as the experience of the development of the *roadmap* shows, civil society (Public Bologna Committee, Belarusian National Platform of the Eastern Partnership Civil Society Forum) can actively influence the process of modernization of higher education in Belarus in collaboration with EU institutions (European Commission, European Parliament), the Council of Europe, European student and

<sup>5</sup> «Дорожная карта по проведению Беларусью реформы системы высшего образования.» *Общественный Болонский комитет*. 27 May 2015. Web. 10 Mar. 2016. <<http://bolognaby.org/?p=2116>>.

academic organizations and governments of the EHEA member states.

*Thirdly*, the program of Belarusian higher education reform provides a mechanism for international monitoring and verification of the fulfillment of obligations until 2018, when a ministerial conference in Paris will consider the final report on the implementation of the *roadmap*.

Despite the reasonable skepticism regarding the ability and willingness of the Belarusian government to fulfill its obligation to carry out modernization of higher education, the first steps taken by the Education Ministry inspire some optimism, especially because of the declared intention to implant the *roadmap* provisions in the national legislation. In the report to the international group of consultants engaged in the supervision of the roadmap implementation, the Education Ministry referred to *three* documents, which are supposed to ensure the meeting of the international mandatory requirements:

- order No. 628 ‘On measures to introduce European higher education instruments in the national education system in 2015–2018’;
- the government program ‘Education and Youth Policy in 2016–2020’;
- amendments to the *Education Code*.

In mid-2015, the Education Ministry leadership repeatedly announced their plans to update the legislation, including such radical steps as restoration of elections of university rectors. The government promised to submit an updated version of the *Education Code* to the House of Representatives by the end of 2015.

Unfortunately, the steps taken to implement the EHEA elements were not accompanied by greater openness of higher education. Until the end of 2015, none of the said documents went public, so it is impossible to estimate the profoundness of the legislative innovations offered by the Education Ministry. Moreover, there is reason to believe that the legislation update process has slowed down frustratingly.

Buzovsky’s statements at the wrap up session of the Education Ministry board can signify a *revanche* of the conservatives, the more so as no signs of liberalization of higher education have

been observed. As before, university students are forced to vote in early voting in presidential elections. They are used as cheap workforce during school hours at farms and construction sites. They are driven to official political campaigns and public events. Some other violations of the rights of students and teachers are being reported.

November and December 2015 saw a wave of student's protests against charges for retaking failed examinations. Started in the Belarusian State University, the student movement spread to other universities. The students collected thousands of signatures against the re-examination charges hoping for a dialogue with university administrations and due account for their opinions. Regretfully, the administrations chose to demonstratively ignore their appeal that contradicts the *roadmap* commitment to promote students' involvement in university management. Moreover, the campaign activists were subjected to pressure and threats. *Two students* were expelled from the Belarusian State University for the participation in the campaign.

The modest scale and peacefulness of the student campaign did not stop the conservatives in the government from blackmailing the reformers in the Education Ministry with a loss of control over the industry, for the sake of which the quality of education and common sense have been sacrificed for many years now. By the end of the year, the future of the *roadmap* and the entire education modernization program was thrown into question. However, this is likely to just delay the implementation of the plans for the education reform, rather than completely stop the process.

## Conclusion

Despite the permanent oscillation of the Belarusian education policy between the reformist plans and a conservative *revanche*, it was not possible to bring the national education system back to the 'golden age' of isolation and stagnation. On the contrary, the reformers enlisted legitimate support of reputable international organizations that increases the chance for the modernization of secondary and higher education in Belarus.

The poor transparency makes it impossible to exhaustively estimate the balance of forces between the advocates and opponents of changes in the education sector. At the same time, the consistent and resolute intervention of foreign stakeholders and Belarusian civil society can significantly strengthen the reformers this year.

## SCIENCE AND INNOVATION IN TIMES OF CRISIS: TO BE OR NOT TO BE?

Andrei Laurukhin

### Summary

The year 2015 was the time to sum up the results of the *State Program of Innovative Development* of Belarus (SPID) in 2011-2015. Despite all optimistic forecasts<sup>1</sup>, GDP research intensity resulted from the implementation of SPID in 2011-2015 was lower (0.50%) than before the Program was launched (0.69% as of 2010).<sup>2</sup> Simply put, the 2011-2015 State Program of Innovative Development was a complete failure: current GDP research intensity is half as high the threshold needed to ensure scientific and technological security (European Union experts set this threshold at 1.0%).

### Trends:

- A significant reduction in the funding of research, scientific, technical and innovative activities;
- A decrease in the proportion of shipped innovative products in the total amount of products shipped against the background of falling domestic demand for such products;
- Deterioration in performance of innovation infrastructure entities in terms of commercialization of scientific and technical activities;
- A decrease in research and development impact;
- Staff cuts and outflow of highly qualified scientific personnel in all branches.

### Results of the State Program of Innovative Development: key performance indicators

A number of key performance indicators expressively depict

<sup>1</sup> In 2010, State Committee on Science and Technology (SCST) Chairman Igor Voytov predicted GDP research intensity at 4.0% to 4.5% by the end of 2015. The SCST's forecast for 2011–2015 was 2.5% to 2.9%. See «Наукоёмкость ВВП в Беларуси к концу 2015 года составит 4.0–4.5%.» *Export.by*. 6 Aug. 2010. Web. 29 Feb. 2016. <<http://export.by/?act=news&mode=view&id=21839>>; *О состоянии и перспективах развития науки в Республике Беларусь по итогам 2014 года. Аналитический доклад*. Минск: ГУ «БелИСА», 2015. 21. Print.

<sup>2</sup> *Наука и инновационная деятельность в Республике Беларусь. Статистический сборник*. Минск: Белстат, 2015. 10. Print.

degradation in the development of Belarusian science and innovation as compared to 2010:

(1) a reduction in the proportion of national spending on research and development by 0.17% to 0.52% of GDP, which is the lowest rate in the entire post-Soviet history of Belarus (for comparison, this proportion was 1.47% in 1990)<sup>3</sup>;

(2) a reduction in the proportion of the workforce engaged in high-tech and medium-tech economic activities by 0.3%, and by 1.3% in knowledge-intensive activities;

(3) a 1.1% reduction in the proportion of investment in reconstruction and modernization (in the total amount of capital investment);

(4) a 1.1% fall of the invention coefficient (requested patents per 100,000 population);

(5) a reduction in the proportion of shipped innovative products in the total amount of products shipped by 2.0% against 2010 and 2.8% against 2005;

(6) a reduction in the proportion of small and medium enterprises involved in joint innovation projects (in the total number of surveyed companies) almost by half;

(7) a 27.0% proportion of innovation-active industrial organizations (against the 40.0% SPID forecast for 2011–2015);

(8) a reduction in the number of organizations engaged in research and development by 11 units, etc.<sup>4</sup>

### Diversification of funding sources: failure at the top, sabotage from below

Preliminary data for 2015 indicate a continuing trend towards a further decline of the proportion of public expenditure on research and development, scientific, technical and innovative

<sup>3</sup> *О состоянии и перспективах развития науки в Республике Беларусь по итогам 2014 года. Аналитический доклад*. Минск: ГУ «БелИСА», 2015. 17. Print.

<sup>4</sup> *Наука и инновационная деятельность в Республике Беларусь*. 14, 19, 20, 27, 60.; *Концепция Государственной программы инновационного развития Республики Беларусь на 2016–2020 годы*. 12.

activities (as a percentage of GDP).<sup>5</sup> According to the Ministry of Finance of Belarus, government spending on scientific, technical and innovative activities as a percentage of gross domestic product in 2014 (0.23%) decreased by 0.8% against 2013 (0.31%).<sup>6</sup> A similar trend is observed in terms of the 'proportion of public R&D expenditure in GDP, %': it decreased from 0.23% in 2013 to 0.20% in 2014.<sup>7</sup>

The analysis of the composition of domestic spending on research and development (with respect to funding sources) shows that the proportion of the allocated budget funds constituted 43.6% in 2012, 47.6% in 2013 and 48.0% in 2014. So, the task to reduce the proportion of funding of science from the national budget over the past three years was not carried out. On the contrary, it was steadily increasing. This was caused by the fact that the diversification of domestic expenditure on research and development did not go as well as planned. From 2010 to 2015, the proportion of budgetary funds went down 9.8% and those provided by foreign investors (including loans) by 1.2%. At the same time, the proportion of own funds increased by 5.6%, off-budget funds by 0.3%, and funds of other organizations by 5.6%.<sup>8</sup>

As a result, the increase/decrease surplus in the proportion of the main sources of funding made up a tiny 0.5%. At least a half of this surplus was achieved thanks to own funds, which are rapidly devaluing and shrinking due to the rampant recession.

The proportion of venture capital as one of the essential factors of stable funding of the high-risk innovation sector of the economy still remains so small, that its values are not listed in the Innovation Union Scoreboard (IUS-2014) for the Republic of Belarus.<sup>9</sup> Even the modest innovation funds are not being used

<sup>5</sup> Концепция Государственной программы инновационного развития Республики Беларусь на 2016–2020 годы. Минск: Государственный комитет по науке и технологиям Республики Беларусь, 2015. 15. Print.

<sup>6</sup> Статистический ежегодник Республики Беларусь. Минск: Белстат, 2015. 383. Print.

<sup>7</sup> Наука и инновационная деятельность в Республике Беларусь. 29.

<sup>8</sup> Ibid 61, 63

<sup>9</sup> Ibid 29

in full<sup>10</sup> because public sector entities cannot afford to take risks, because the punishment in case of a failure can be severe (up to imprisonment).<sup>11</sup> The diversification of sources of funding of science and innovation not only failed 'at the top', but also is sabotaged from 'below.'

So, the *five-year-long* efforts aimed at diversification of domestic expenditure on research and development had a zero effect (at best) with regard to the attainment of the main goal, i.e. a more stable financing of research and innovation areas from extra-budgetary resources. This means that *in conditions of a protracted crisis and the growing negative macroeconomic trends (a GDP decline, devaluation of the ruble and other currencies), the science and the innovation sector of the economy will experience an acute shortage of funding and, as the most vulnerable one, may suffer the most.*

#### **Scientific organizations and personnel: 'optimization' at an accelerated pace**

The number of organizations engaged in research and development peaked in 2012 (530) and has been going down since then: 482 in 2013 and 457 in 2014. A decline is observed in all sectors: from 104 in 2012 to 94 in 2014 in the state sector; from 352 in 2012 to 294 in 2014 in business; from 70 in 2012 to 66 in 2014 in higher education.<sup>12</sup> The meager proportion of small and medium enterprises involved in joint innovative projects in the total number of surveyed organizations decreased from 0.52% in 2013 to 0.40% in 2014.<sup>13</sup>

The same trend continues with respect to personnel engaged in research and development: over the past *five* years, the decline reached 15.0% in all sectors. Over the past *three* years, the

<sup>10</sup> Концепция Государственной программы инновационного развития Республики Беларусь на 2016–2020 годы. 19.

<sup>11</sup> The so-called 'case of professors' who were accused of stealing 200 million Belarusian rubles (around US\$ 65,000 as of 2010) of budget funds in 2013, is worth noting here: one of the three defendants died in an accident and one sustained injuries and was assigned 2nd degree disability rating.

<sup>12</sup> Статистический ежегодник. 381.

<sup>13</sup> Наука и инновационная деятельность. 29.

decrease in personnel equally affected both the commercial and public sectors (11.1% and 11.2%, respectively). The higher education sector was affected to a lesser extent (5.5%), among other things, because teaching is also a cushion side job.

A structural analysis of the decrease in personnel engaged in research and development shows that the greatest reductions take place among technicians (15.8% in 2012–2014) and, almost equally, researchers (10.0%) and support staff (10.5%).<sup>14</sup>

With regard to the branches of science, personnel engaged in research and development declined most in the field of *social sciences* (down 20.0%, including doctors by 7.5% and associates by 14.9%), *agricultural sciences* (down 13.6%, including doctors by 15.7% and associates by 6.8%), *engineering sciences* (down 10.0%, including associates by 7.5%, while the number of doctors was up 1.2%), *natural sciences* (down 8.8%, including doctors by 8.6% and associates by 5.8%) and *medical sciences* (down 3.7%, including doctors by 14.6% and associates by 3.3%).

Particularly striking is the decrease in the number of PhDs in agriculture (15.7%) and healthcare (14.6%). Against the background of the total reduction in the number of scientific personnel in all areas, only humanities inspire ‘quantitative optimism’: in 2012–2014, the number of researchers increased by 6.4%, including doctors by 5.0% and associates by 1.5%.<sup>15</sup>

### The Belarusian-style paradox of innovation

According to the Global Innovation Index 2015 published by Cornell University, INSEAD business school and the World Intellectual Property Organization, Belarus stepped five positions up in the country ranking from 58th in 2014 to 53rd in 2015 leaving behind Romania (54th), Armenia (61st) and Ukraine (64th), but did not catch up with Russia (48th), Poland (46th), Lithuania (38th) and Latvia (33rd). The improvement was achieved in the following *three* dimensions: *Human Capital & Research*, *Market Sophistication* and *Knowledge & Technology Outputs*.

<sup>14</sup> *Статистический ежегодник*. 381.

<sup>15</sup> *Статистический ежегодник*. 382.

Progress in the rankings was hampered due to a poor performance in the dimensions of *Institution* with the worst sub-indexes in *Governments Effectiveness* and *Rule of Law*; *Business Sophistication* with the worst sub-indexes in *Innovation Linkage*, *Knowledge Absorption*, *Creative Outputs*, and also *Creative Goods & Services* and *Online Creativity*.<sup>16</sup>

Despite the “Market Sophistication” reported in the Global Innovation Index, the number of organizations that implement technological innovations is still decreasing. Their number peaked in 2011 (443) and dropped to 383 in 2014 (down 13.5%). A reduction in the number of enterprises occurred in almost all areas of innovation activity.<sup>17</sup>

Despite the positive results in the five-year term, over the past two years, the proportion of organizations implementing technological innovations shrank from 22.8% in 2012 (five years’ best) to 20.9% in 2014.<sup>18</sup>

The proportion of shipped innovative products in the total amount dropped from 17.8% in 2012 and 2013 to 12.5% in 2015.<sup>19</sup> The amount of shipped innovative products decreased from the 15.4% peak in 2013 primarily due to a decrease in the amount of shipped machine engineering products by 51.0%. An avalanching 87.0% decline was observed in the mining industry.<sup>20</sup>

As a result, the proportion of exports in the total amount of shipped innovative products decreased from the 64.3% peak in 2012 to 59.7% in 2014. According to preliminary results of 2015, the situation got worse primarily due to economic problems faced by the main importers of Belarusian high-tech products (Russia, Ukraine and CIS member states).

The year 2015 could not turn the tide of the 2014 landslide in the very important R&D performance index: total patents filed and total patents granted, which is also included in the

<sup>16</sup> *Global Innovation Index 2015 Report. Effective Innovation Policies for Development*. Fontainebleau, Ithaca and Geneva: Johnson Cornell University, 2015. 173. Print.

<sup>17</sup> *Ibid.*

<sup>18</sup> *Статистический ежегодник*. 386.

<sup>19</sup> *Концепция Государственной программы инновационного развития Республики Беларусь на 2016–2020 годы*. 12.

<sup>20</sup> *Статистический ежегодник*. 390–391.



Global Innovation Index. The negative trend began in 2011, when the number of filed *patent applications* began to decline. In 2014, the decrease became drastic: from 1,634 in 2013 to 757 in 2014 (54.0%), most of which were national applications (the number decreased by 837). Such a low index had not been observed for over 15 years (comparable numbers were reported in the mid-1990s).

The number of *patents granted* also dramatically decreased from 1,027 in 2013 to 887 in 2014 (a worse index was only reported in 2005). As a result, the number of valid patents dropped from 4,478 in 2013 to 3,913 in 2014 receding to the level of 2005 (3,794) in 2015.<sup>21</sup>

So, we have a Belarusian style paradox: a step up in the Global Innovation Index *through* a reduction in the proportion of innovative products and a downfall in the research and development performance.

## Conclusion

In the conditions of deepening economic recession and exhaustion of resources for the mobilization development model, the drop of the GDP research intensity Belarus' GDP twice below the threshold and a decrease in the proportion of domestic research and development expenditure to the lowest level in the entire post-Soviet history of the country put the question squarely: will the crisis bury the sprouts of the innovative economy, or will innovations be a key parameter of a new model of the economy and society? It is clear that an optimistic (and hardly probable) scenario of the science sector development is only possible if the country gets off the usual but hopeless track of the mobilization economy to an unusual, complex, but more promising path of innovative development.

<sup>21</sup> Статистический ежегодник. 385.

## RELIGIOUS SPHERE: PRAYER FOR BELARUS, PRAYER FOR LUKASHENKO?

Natallia Vasilevich

### Summary

In 2015, the government continued to pursue its policy of sustainable control of the religious sphere, mainly through the legal and bureaucratic regime. Cases of pressure in the form of repressions were rare; they concerned small unregistered communities and had no wide response. The beginning of the year witnessed a deterioration of relations with the Roman Catholic Church, caused by public officials' sharp attacks on the leadership of the religious community. The Orthodox Church expands its pro-Russian and militaristic ideas, primarily associated with Church youth policy – the military-patriotic *clubs* and the festival At 'Stalin Line'; active personnel reformatting goes on. A religious-hued show named 'Prayer for Belarus' became the main mobilization event of an inert presidential election campaign.

### Trends:

- The harassment of unregistered religious communities with the participation of ideological departments occurs mainly in the Eastern regions of Belarus;
- The pro-religious ceremony 'Prayer for Belarus' becomes the central event of the presidential campaign of Lukashenko;
- Public *activities* of churches focus on pro-life topics, but a protest activity in this field extinguishes;
- Personnel and structural reformatting of the Belarusian Orthodox Church continues, which creates a wave of opposition;
- Cooling with elements of escalation in the relations of the authorities and the Roman Catholic Church in Belarus.

### General characteristics

Quantitative surveying of believers and those who belong to a particular faith, according to sociologist S. Karasiova, does not reflect a real picture of the impact that a correspondent confession has on life and values of individuals and society as a whole, because the polls do not actually correlate between the

world view of respondents and their religious identification.<sup>1</sup> However, today there are no alternatives to such studies.

The most regular is an annual surveying of the Informational and Analytical Center at the Presidential Administration, which allows tracing the historical dynamics of indicators. In 2015, according to the study, 63.5% of the Belarusian population defined themselves as believers; 83.0% — as supporters of the Orthodox religion, 9.5% — as Catholics.<sup>2</sup> The peak indicator of the number of believers from 2010 to 2015 was fixed in 2012 and totaled 71.5%, the rate for 2015 is the lowest in the period. The number of Orthodox believers in the same period ranged between 78.0% and 84.0%, the number of Catholics ranged between 7.0% and 12.0%. State sociologists note the main tendency both among Orthodox and Catholic believers to an out-of-church and socially passive, private-family form of exercise of religion, e.g. celebration of the religious holidays.<sup>3</sup>

Confessional structure of the Belarusian society in the aspect of religious organizations is 26 denominations with a total number of 3 315 religious communities, among which 1 643 (49.6%) are Orthodox, 491 (14.8%) are Catholic and 1 057 (31.9%) are various kinds of Protestant communities.<sup>4</sup> Out of them in Minsk<sup>5</sup>, where about 20.0% of the population lives, 151 communities are registered, which constitutes only 4.5% of all

<sup>1</sup> Карасёва, С. «Религиозность в Беларуси: от концепции к данным / Конспект лекции.» *Летучий университет*. 21 Мар. 2016. Web. 3 Apr. 2016. <<http://fly-uni.org/content/kanspekt-lekcyi-religiynasc-u-belarusi-ad-kancepsyy-da-dadzenyh>>.

<sup>2</sup> «Верят в Бога 63.5% жителей Беларуси, ещё 5% — в сверхъестественные силы.» *БелТА*. 26 Jan. 2016. Web. 3 Apr. 2016. <[www.belta.by/society/view/verjat-v-boga-635-zhitelej-belarusi-esche-5-v-sverhjestestvennyesyly-179084-2016/](http://www.belta.by/society/view/verjat-v-boga-635-zhitelej-belarusi-esche-5-v-sverhjestestvennyesyly-179084-2016/)>.

<sup>3</sup> Василевич, Наталья. «Информационно-аналитический центр: попытка посчитать верующих.» *За свободное вероисповедание*. 30 Jan. 2016. Web. 3 Apr. 2016. <<http://forb.by/node/612>>.

<sup>4</sup> «Информация о конфессиональной ситуации в Республике Беларусь.» *Уполномоченный по делам религий и национальностей*. Web. 3 Apr. 2016. <<http://www.belarus21.by/Articles/1439296790>>.

<sup>5</sup> «Более 30 православных и католических храмов возводят в Минске.» *БелТА*. 3 Мар. 2016. Web. 3 Apr. 2016. <<http://www.belta.by/regions/view/bolee-30-pravoslavnyh-i-katolicheskikh-hramov-vozvodjat-v-minske-184518-2016/>>.

religious communities. Out of the total number of communities in the capital, 45 (30.0%) belong to the Orthodox Church, 21 (15%) belong to the Roman Catholic Church, and 56 (37%) — to Protestant Churches; in the framework of the respective denominations the Orthodox parishes in the capital constitute 2.7%, Roman Catholic — 4.2%, and Protestant — 5.2%.

Thus, the religious field is characterized by the predominance of Orthodoxy, and this dominance has not only a quantitative but also institutional character which is fixed in the Law *On freedom of conscience* through the status of ‘the first’ religious denomination and the existence of appropriate agreements with the government of the Republic of Belarus and individual governmental ministries, agencies and organizations. Such cooperation with the state opens some doors to the public sphere for the Orthodox Church, however, this also characterizes the orientation of the Church on the state and state organizations in the public activities.

On the other hand, it defines the logic of a junior rather than equal partner, because the state apparatus using its resources, infrastructure and status in this partnership plays the main role, the role of an ‘ordering customer’ of certain services, the role of an agency that admits the Church in state public institutions, and the role of a controller of activities within these institutions. As a result, the dominant position of the Orthodox Church in the public sphere turns into the background, without its real influence on public life and policies (because the Church lacks the mechanisms of this influence), but with a permanent decorative presence on the ‘back burner’.

### Prayer for Belarus: The Church in the electoral process

The culminating manifestation of the ‘decorative’ role of the church in 2015 was the ceremony *Prayer for Belarus*<sup>6</sup>, the main public mass event of Alexander Lukashenko’s election campaign, organized on October 2 by the public authorities which took place near the temple-monument in honor of All Saints, built

<sup>6</sup> «Состоялась предвыборная церемония под названием “Молитва за Беларусь”». *Партал “Царква”*. 2 Oct. 2015. Web. 3 Apr. 2016. <<http://churchby.info/rus/news/2015-10-06/sostoyalos-predvybornaya-ceremoniya-pod-nazvaniem-molitva-za-belarus>>.

with state support, the archpriest F. Pouny of which is close to president Lukashenko. The main participants on the side of the denominations were the leaders of the Belarusian Orthodox Church, the Roman Catholic Church, the Republican religious Association of Muslims, the Jewish religious community.

The Protestant Church such as the minor Evangelical Lutheran Church mentioned in the preamble of the Law *On freedom of conscience*, and more mass, but ‘non-traditional’ Baptist, Pentecostal and Evangelical Churches were not present at the ceremony at the public level. The mobilization of masses for participation in the event, which had a symbolic character, was arranged through the usual departmental method of ‘quota’.

The symbolism of this ceremony for Church-state relations lies in the fact that for the public authorities religious organizations are interesting due to their potential support, which is manifested through the leadership of these organizations, mainly formal, without an appeal to the mobilization potential of a wide circle of believers.

### **Belarusian Orthodox Church: Between the ‘Russian world’ and Belarusianness**

If in 2014, Belarusian Orthodox Church (BOC) was restructured at the level of episcopates/dioceses (four new bishops were appointed, the number of dioceses increased by one third, and they became smaller) in 2015, Metropolitan Pavel started to reform the Minsk diocese. It became more compact, which increased the intensity of control.

Despite the fact that the BOC, unlike the Russian OC as a whole, did not adopt a new standard parish Charter of 2009, which virtually eliminated any sprouts of parish autonomy, securing the power of diocesan Bishop as the main manager of the parish, it is this system of administration that began to be implanted within the Central Belarusian Eparchy de facto.<sup>7</sup> Under Metropolitan Filaret, the rectors of Minsk large parishes while maintaining loyalty acted with sufficient autonomy both

<sup>7</sup> For details see Суходольская, Л. «Типовая приходская жизнь вопреки уставу.» *За свабоднае веравызнанне*. 29 Nov. 2015. Web. 3 Apr. 2016. <<http://forb.by/node/544>>.

in economic aspect and in the development of other activities of their parishes, allotting conventional ‘royalties’ to the diocese on the principle of the franchise. Metropolitan Pavel undertook an audit of economic activities of the parishes and put them under his tighter control.

If previously economic activity was the personal business of the parish leadership, especially of priors, and both their personal welfare and that of the parish depended on this activity, now in the economic sense, the parish is obliged to bring some income to the diocese. The ‘efficiency’ of the prior depends on his ability to ‘feed’ the diocese and guarantee its financial transparency. Although this approach of the leadership of the diocese is appropriate, as it allows accumulating funds for the development of all-Church and all-dioceses projects at the expense of the parishes, it gives parishes an additional financial burden and becomes a source of discontent.

The same trend has affected large associations of BOC – the International public organization ‘Christian educational center of saints Methodius and Cyril’ and the Publishing house of the Belarusian Exarchate. The founders and longtime leaders of these organizations R. Daugiala and R. U. Hrozau after the financial audit, which revealed the schemes of getting and disbursement of funds, opaque for diocesan leadership, were dismissed from their posts, which were given to young priests without experience of business and organizational activity within the previous schemes that were tied to the ex-leaders to a large extent.

Reliance on young and less experienced people is done for the sake of reducing the influence of outstanding figures in the new diocesan Council, which was approved in December 2015: the average age of the members of the governing body of the diocese appointed by Metropolitan Pavel is 39.5 years old (the average time in office is 15.5 years), and if to exclude priest G. Latushka, the most mature both in age, and in the experience, the number will be even smaller: 34.5 years old (10 years in office). The same applies to the court of the Minsk diocese, where the average age is 39.4 years old. Beside archpriest G. Latushka, M. Korizhych and A. Lemiashtonak there are no influential abbots of the major temples of Minsk in the Council, who previously constituted the backbone of the diocesan administration.

In fact, the reform of the diocesan administrative system was directed against the autonomous communities of an average level. As an administrative support system of the new system are the young priests who do not have personal achievements, whose career progress is not linked to personal social and religious capital, which reduces the factor of personal initiative and autonomy. Any reformatting that changes the balance of power can potentially create conflicts, it generates a wave of discontent, which in the conditions of tight control and deprivation of leverage finds limited implementation. *First*, this is a strategy of utilizing the resource of the public authorities (this option requires direct personal access to power); *second*, it is the creation of a coalition, which allows to accumulate resources together; *third*, it is an appeal to a higher level of Church management—the Moscow Patriarchate.

The next visit of Patriarch Kirill to Belarus in June was considered as the audit in relation to the activities of Metropolitan Pavel. Despite the fact that Minsk Metropolitan remains among those who are close to the Patriarch, his statement about the need for a greater autonomy of the BOC at the end of 2014, which showed a tendency to spontaneous and unpredictable actions, reduced to a certain extent the credibility of him as a figure completely loyal to Moscow and controllable. In turn, disavowal of this statement undermined a short-term credibility made to him by the clergy of Minsk Metropolitanate in connection with the movement towards greater autonomy for the Belarusian Orthodox Church.

To increase control over processes in the Belarusian Exarchate of the Moscow Patriarchate after the visit of the Patriarch to Belarus, a new administrative unit of control was created – the representation of the Patriarch of Moscow in the Belarusian Exarchate, headed by abbot Vasijan (Zmejeu).

In addition, in BOC at the level of activities with young people militaristic, pro-Russian, pro-Soviet tendencies are growing. It concerns functioning of a number of military-Patriotic clubs throughout Belarus, where patriotism has a clear Eastern vector (Slavic, pro-Russian, pro-Soviet), the ideological and military training is carried out among troubled and violent youth. Although this activity is targeting and touches on a certain social segment, its public visibility is increasing.

This trend becomes more vivid in a number of most Orthodox events: 2015 was marked by the Orthodox youth festival *At 'Stalin Line'* – in a place that has a clear ideological implication and is associated with the romanticizing of war. During the event many young participants were dressed in military uniforms, the entertainment included many items with military and Russian-patriotic elements. Even in such a neutral mass event, like a ball of Orthodox youth, people related to military service or service in bodies of internal affairs, cadets took part. However, at the level of parish life pro-Russian sentiments and ideas of the 'Russian world' are of a more latent, unorganized character.

Against this background, the expanding use of the Belarusian language during services in Minsk stands out: they are held monthly at the parish in Suhareva district of Minsk and at the Theological Academy, for some time on the initiative of Metropolitan Pavel the choir sang the hymn *Mahutny Bozha* ('Mighty God') in the Cathedral. If to consider this process in dynamics, it is possible to say that at the modest scale it is a real breakthrough in Belarusization of the BOC.

### **Roman Catholic Church: Escalation phase**

In the Roman Catholic Church the trend of expanding the influence of Belarusian and pro-Belarusian episcopate continued: on June 3, as a result of elections at the meeting of the Conference of Catholic bishops of Belarus Metropolitan Tadeusz Kandrusiewicz was elected the Chairman, he replaced the longstanding Director and governing body of the Roman Catholic Church in Belarus, Bishop Aleksandr Kashkevich, and on June 9 Alexander Jasheuski, who is a Belarusian, was appointed a new Catholic Bishop.

In relations with the Belarusian government the conflict associated with the fact that the authorities are dissatisfied with the activities of Polish priests in Belarus escalated: first, the Commissioner for religion and nationalities sharply criticized the personnel policy of the Roman Catholic Church in Belarus in general and foreign priests themselves, accusing them of being politicized and even of 'drunk driving', later the President joined the criticism. The Catholics responded with a protest from



the public (people collected signatures against the authorized Huliaka), and from the Conference of bishops (who made statements of an extraordinary plenary meeting).<sup>8</sup>

At the level of diplomatic relations with the Vatican the contacts had an average intensity, but for the first time the Vatican openly announced its participation – together with the countries of the European Union and the United States – in diplomatic pressure on the Belarusian authorities on the issue of release of political prisoners.<sup>9</sup> Nuncio Claudio Gugerotti played a key role in the mediation between the Belarusian authorities and the Vatican in the political cooling after December 19, 2010. In 2015, his mission in Belarus was completed, and the appointment of a new Ambassador of Vatican to Belarus was delayed. This may reflect both a decrease in the intensity of contacts between the Vatican and Minsk, and a strategic and tactical reformulation of the policy towards Belarus from the Holy See.

## Conclusion

In the new context of thaw between the West and Belarusian authorities the necessity to mobilize religious organizations as players in the diplomatic process as intermediaries will lose its sharpness. The policy of weak, but constant tension will continue, because it showed its effectiveness in maintaining control over the religious sphere: the authorities create points of tension and then ‘settle’ the problems.

BOC will continue to form new ‘weak’ elites from among the appointees of Metropolitan Pavel, at the same time the personnel policy will be aimed at the maximum weakening of the ‘strong’ elites that have developed in the previous period. The policy of the authorities regarding BOC will largely depend on its position in Moscow-Minsk relations.

<sup>8</sup> Василевич, Наталья. «Белорусское государство, Римско-Католическая Церковь в Беларуси, Ватикан и польские священники.» *За свободное вероисповедание*. 2 Feb. 2015. Web. 3 Apr. 2016. <<http://forb.by/node/499>>.

<sup>9</sup> “Паведамленне Апостальскай Нунцыятуры ў Рэспубліцы Беларусь.” *Catholic.by*, 25 Aug. 2015. Web. 3 Apr. 2016. <<http://catholic.by/2/home/news/belarus/34-belarus/126910-nuncyjatura.html>>.

## PUBLIC HEALTH: CONSOLIDATION AND PERSISTENCE

Andrej Vitushka

### Summary

2015 was characterized by a continuing favorable demographic situation, but population growth did not take place. The main public health problem in Belarus is a high mortality rate, especially among men, in the absence of systematic and comprehensive work with risk factors. For the second year in a row, outpatient service has become the priority of medical assistance; however neither funding nor maintenance increased. The health system continued working in an austerity regime due to the devaluation of the national currency with no prospects of improvement.

### Trends:

- A trend for ‘waiting out’ the crisis and the funding of the industry without any notable changes;
- A policy of strengthening of the public health system through limitations in activities of commercial medicine and the active use of shadow administrative methods for solving assigned tasks.

### Demographic indicators and population health

In 2015, demographic trends of 2014 on the convergence of fertility and mortality continued (12.5 newborns compared with 12.6 deaths per 1000 people – birth rate has not changed, mortality rate has decreased by 0.2%). Thus, the ‘closing of the demographic scissors’ has not been yet achieved (Belarus lost about 1000 people<sup>1</sup>), despite the cautious optimism of the Minister of Health. President Lukashenko turned out to be the most optimistic, as always, when in April in his annual message to the people and the National Assembly he said that “the

<sup>1</sup> «Численность и естественный прирост населения.» *Национальный статистический комитет Республики Беларусь*. Web. 11 May 2016. <[http://www.belstat.gov.by/ofitsialnaya-statistika/solialnaya-sfera/demografiya\\_2/g/chislennost-i-estestvennyi-prirost-naseleniya/](http://www.belstat.gov.by/ofitsialnaya-statistika/solialnaya-sfera/demografiya_2/g/chislennost-i-estestvennyi-prirost-naseleniya/)>.



number of Belarusians exceeded 9.5 million”<sup>2</sup>, which was proven wrong by the National Statistical Committee at the end of the year, as they counted 9498 thousand people. It is safe to say that the new year of 2016 will meet those optimistic demographic expectations.

As before, population growth is observed only in the Minsk and Brest regions, while the difference between births and deaths in Minsk is more than 3.5 times (2.8% vs 0.8%). These indicators have almost equaled in Homiel region and Minsk region (the difference is 0.2% and 0.7% respectively). From a demographic point of view, the least attractive is Viciebsk region, where the birth rate is the lowest (11.2 per 1000 people) and the mortality is the highest (14.7 per 1000 people). While fertility rates in the capital and in Viciebsk region are almost the same (11.6 and 11.2, respectively), but the mortality rate in Minsk is 1.7 times less, it was the same two years ago, which describes the healthcare system as far from being the best in the country<sup>3</sup>. The structure of causes of mortality has not changed – cardiovascular diseases, external factors, and cancer traditionally make up the top three.

### Evaluation of the Belarusian health system

According to international criteria, about 50% of the assessment of the health system in each country is life expectancy at birth. In Belarus this figure has slowly grown since 2009 and was 68.6 years for men and 78.9 years for women in 2015 (67.8 and 78.4 years respectively in 2014)<sup>4</sup>. This is still much less than the data for developed countries, where the numbers are 76 years for

<sup>2</sup> «Обращение с Посланием к белорусскому народу и Национальному собранию.» *Официальный интернет-портал Президента Республики Беларусь*. 29 Apr. 2015. Web. 11 May 2016. <[http://president.gov.by/ru/news\\_ru/view/obraschenie-s-poslaniem-k-belorusskomu-narodu-i-natsionalnomu-sobraniju-11301/](http://president.gov.by/ru/news_ru/view/obraschenie-s-poslaniem-k-belorusskomu-narodu-i-natsionalnomu-sobraniju-11301/)>.

<sup>3</sup> «Демография.» *Национальный статистический комитет Республики Беларусь*. Web. 11 May 2016. <[http://www.belstat.gov.by/ofitsialnaya-statistika/solialnaya-sfera/demografiya\\_2/](http://www.belstat.gov.by/ofitsialnaya-statistika/solialnaya-sfera/demografiya_2/)>.

<sup>4</sup> «Забота о нации. Ликвидировать очереди в поликлиниках и ещё раз поднять пенсионный возраст.» *Naviny.by*. 21 Apr. 2016. Web. 11 May 2016. <[http://naviny.by/rubrics/society/2016/04/21/ic\\_articles\\_116\\_191501/](http://naviny.by/rubrics/society/2016/04/21/ic_articles_116_191501/)>.

men and 82 years for women. By the way, the life expectancy of men in Belarus is of particular concern, as it is hardly greater than the average indicator for all countries of the world – from Swaziland to Japan (68 years). Also the difference between the life expectancy of men and women is not growing smaller (10 years in Belarus vs. 6 in developed countries).

The participants of the WHO European Ministerial Conference on the *Life-course Approach in the Context of Health 2020* which was held in Minsk last October turned their attention to the low life expectancy, high mortality rate at a birth rate that is very decent for the region. The participants of the meeting praised Belarus for its low child mortality, universal access to immunization and medical aid (without regard to its quality) and were mildly critical. The Director of the Division of Non-communicable Diseases of the WHO European Office, Gauden Galea said: “A big difference between the life expectancy in Belarus and the average one in Europe is caused by early mortality from non-communicable diseases. For its reduction it is important to determine the prevalence of risk factors among different population groups. In order to do this we work together with the Ministry and examine the population until the end of 2016”. It is hoped that the cooperation has been established and will bear fruit.

As for systematic work with risk factors, the state did not dare taking more or less consistent measures. On the one hand, a ban on open display of cigarettes in retail outlets was introduced, and on the other – the state does not introduce a complete ban on smoking in public places and does not raise the cost of tobacco products drastically, although the latter, according to the international practice, is the most effective measure. As for alcohol, the president demanded to unload stocks of domestic wine and vodka<sup>5</sup>, which resulted in the repeal of a ban on alcohol sale in the evening and at night, and in the reduced maximum allowance for Belarusian products in cafes

<sup>5</sup> «Лукашенко провёл совещание по вопросам правового регулирования оборота алкогольной продукции.» *БелТА*. 22 Mar. 2016. Web. 11 May 2016. <<http://www.belta.by/photonews/view/lukashenko-provel-soveshanie-po-voprosam-sovershenstvovaniya-pravovogo-regulirovaniya-oborota-alkogolnoj-produktsii-2689>>.

and restaurants. The explanation of such measures, of course, is in the weird economic logic. It relates to 'economic' because alcohol manufacturers are in the top 10 of taxpayers and their sales decreased by 18%, only during the first quarter of 2015 and it relates to 'weird' because, according to experts of the National Academy of Science and the Centre of Mental Health, to overcome the consequences of drinking and alcoholism, the government allocates up to 4.5% of gross domestic product (GDP), while the profit from the alcohol sale is only 2.3%.

According to the Minister of Health Zharko, the high place of Belarus in the international rankings is an international recognition of national success in this sphere. According to last year's results the success is rather modest: in the UN human development index we 'saved' three positions which had been lost in 2014, and in the Bloomberg health care effectiveness index we 'slipped' to the 1<sup>st</sup> position.

Residents of Belarus regard their medicine system with less enthusiasm. According to IISEPS, only 20% of respondents agree with President Lukashenko's statement that the country established an advanced system of health, and according to the survey of the project REFORUM, the health system was named the first candidate for reform. Even according to a survey conducted in 2015 by the Information and Analytical Centre of the Presidential Administration, more than half of the respondents considered the level of health care to be low.

### **The financing of health care, the priority of provision of medical assistance**

At the end of 2015 Minister Zharko said: "We kept the budget system of health care financing by bringing few changes, and it confirmed its effectiveness, providing dynamic development, equal access for all citizens"<sup>6</sup>. Unlike in previous years, the performance indicators were not presented, except for positions

<sup>6</sup> «Качественное управление, индикаторы премирования, культура здоровья.» *Медицинский вестник*. 4 Feb. 2016. Web. 11 May 2016. <<http://www.medvestnik.by/ru/officially/view/na-kollegii-minzdravaministr-vasilij-zharko-podvel-itogi-raboty-otrasli-v-2015-godu-i-opredelil-1455-14555-2016/>>.

in the mentioned international rankings. Special structural development was not observed either. As big events of 2015 one could mention the opening of the Center of Positron Emission Tomography in the Republican Center for Oncology and the 'cutting of the ribbon' at the new maternity building of the 5<sup>th</sup> city hospital of Minsk (it was operational only two months later). It is significant that the construction of a new building of intensive therapy of newborns of the Republican Center *Mother and Child* that has been repeatedly approved and projected did not start. Moreover, it became one of the projects for which the funding requires international donors (the World Bank).

Like the year before, in 2015, health care costs rose by 0.2% and amounted 4.4% of GDP, but this did not bring any results due to the devaluation of the national currency. To be able to continue purchasing imported supplies for medical equipment the state had to lower salaries in the health system (and to return to the salary which medical personnel got 5 years ago in dollar terms)<sup>7</sup>. In absolute terms, the indicator of budgetary security per inhabitant in Belarus amounted about USD 200, which is still very little for the development of the system (according to the WHO recommendations it should not be less than USD 1000).

Since 2013 statements have been made about the priority of developing primary health service (outpatient hospitals, day clinics, ambulances) as the most demanded by the population (used by more than 90%). In proportion to the increasing problems with funding the leadership of the system held talks on the development of 'hospital replacing technologies' in outpatient clinics, which is natural, because one day in hospital cost on average USD 30 in 2015, and a visit to the out-patient clinic cost about USD 5. However, the cost of financing for the health sector did not increase again, having made, as in the previous year, about 40% of the total amount given to the industry. The illustration of the readiness of primary medical services in terms of resources to a qualitatively new level of work in 2015 is, for example, the 'exposing' of the situation

<sup>7</sup> «Зарплаты врачей в Беларуси. Прошлое возвращается.» *Naviny.by*. 12 Feb. 2016. Web. 11 May 2016. <[http://naviny.by/rubrics/society/2016/02/12/ic\\_articles\\_116\\_190976/](http://naviny.by/rubrics/society/2016/02/12/ic_articles_116_190976/)>.

typical for the whole country by the State Control Committee of Mahiliou region, when ambulance service miss vital equipment (electrocardiographs, defibrillators, etc.). To eliminate personnel shortages in primary care all medical students get their postgraduate work assignment there.

It is the third year, when the system has lived in the mode of 'austerity' and 'budgetability'. The results of the year are savings of BYR billion 309,6, which looks modest compared to the BYR 33,7 trillion spent. Throughout the year, hospitals suffered a shortage of supplies, especially on top of the devaluation. Last year it became a regular and massive practice, when patients were asked to make the necessary research in the clinic on a fee basis due to the lack of 'free' reagents and consumables.

According to the officials responsible for medicine, the economy mode will only be increased. The ways of existence in these conditions are the same as for other sectors of the economy – clenching one's teeth to ride out the crisis with iron discipline under the personal responsibility of managers. Avoiding duplication of tests in clinics and hospitals, in-patient facility replacement, as well as the development of informatization in the region, the money for which will need to come from the World Bank, were called for as innovative measures.

### **Consolidation of the public health system**

Last year all sorts of public discussions on the need for alternatives to public health were stopped. If in 2014 there were talks (even at the highest level) on the need of developing insurance medicine, in 2015 they finished. However, voluntary health insurance was gaining popularity – despite the economic difficulties, the number of policyholders increased by almost 50% and reached 286 thousand people. If not for the instability of the national currency, this market could have developed rapidly. The reluctance of regulators to facilitate this process and increase contributions to the budget (corporate insurance for medium-sized companies from *Belgosstrakh* starts from USD 180 per year) is probably explained by the reluctance for greater transparency in the financing of expenditures on health and by the fear to lose control over them.

The policy concerning private medicine was aimed at further restriction of this segment. The beginning of the year was marked by a positive signal, which gave hope for the revival of commercial medicine and the opportunity to contribute to the discharge of the state system: private medical centers were allowed to issue sick leaves. But in November Presidential Decree No. 475 was issued which required the commercial medical centers to have specialists only of the first and the highest categories in their staffs. Thus, most of the medical centers were under threat of closure, which led to mass application of their owners and staff to the Ministry of Health. Health workers threatened with a joint appeal to the International Labour Organization, and the rental market of premises suitable for accommodating private medical institutions, which slightly revived amid lower rental rates because of the crisis, froze once again. The majority of experts stick to the idea that through changes in the activities of commercial medicine the Ministry of Health seeks to 'get rid of' competitors and also contribute to the solution of personnel problems, hiring dismissed health workers in public institutions.

The case with the implementation of the domestic pharmaceuticals is best described by the working methods in the area. In 2014, the Ministry of Health was given the task to have 50% from the sale of medicines in Belarus, which would be of drugs of domestic production. The task is very difficult, given the low popularity of our medicines among the population, their low cost (most cost less than USD 1 per pack), weak marketing at the enterprises of pharmaceutical industry and tight terms.

Surely, the solution came with the overall impoverishment of the population, but officials did not 'rest on their oars'. Every pharmaceutical distributor under pain of deprivation of their license got the 'plan' which listed how many domestic medicines a commercial company had to buy. In order to make sure enough funds remain the purchase of imported drugs was unofficially but effectively banned in the fourth quarter of 2015. If someone bought drugs and gave a new party to a compulsory examination, there were discrepancies in the documents or other reasons not to issue certificates. Thus, at the end of the year, the sale of domestic medicines was 52% in monetary terms.

This consolidation of the public health system with a clear desire to get rid of other forms of financing and organization of medical care, as well as solving tasks by administrative methods, threatens the stability of the system to have reduced funding on the background of another economic crisis.

### Conclusion

Last year the Belarusian health care system demonstrated stability in the deepening of the old systemic problems with the active unwillingness of the leadership of the industry to change anything in their approach. Time will tell if this stability is a sign of mastery in changing economic conditions.

## FROM A NOBEL TO *GARASH*: SELF-CONSTRUCTING, INDEPENDENT CULTURE

Maxim Zhbakov

### Summary

In 2015, Belarusian culture achieved a range of international successes (including the Nobel Prize in Literature), but it was unable to convert them into a genuine resource for change. The state confirmed that culture was less than a priority (representing just 0.56% of the total annual budget<sup>1</sup>) and continued to replicate stagnant provincial mentality, slightly embellished with national ornamental designs. Its main approaches to managing the cultural process are centralised distribution of resources, and obstructing undesirable elements by means of bureaucracy. Independent culture is still a niche product with no prospects for extending its reach. Entertainment culture is now successfully replacing social action scenarios, and opportunities for consumerist migration have partially eased the severity of the political conflict. In this land of triumphant stability, energy for radical change is morphing into a series of avoidance tactics; a guerrilla existence in defiance of top-down directives.

### Trends:

- Renewed ideological censorship and repressive cultural administration measures;
- A return to guerrilla culture as a symmetrical response to state initiatives;
- “Soft Belarusification” is being reproduced and trivialised, reducing national symbols to mere décor appropriated by the authorities for propaganda purposes;
- Cultural devaluation, which encourages heightened fragmentation of the national identity, is providing increased opportunities for cultural intervention (particularly from Russia).

### The canon vs. sabotage: differing approaches to identity

In 2015, cultural policy retained its previous format of warring canons and conflicting traditions. Belarusian culture’s chief success – Svetlana Aleksievich being awarded the Nobel Prize in Literature – did not lead the nation to unite around the

<sup>1</sup> «Бюджет-2015: кому достанутся бонусы предвыборного года.» *TUT.BY*. 9 Dec. 2014. Web. 5 Apr. 2016. <<http://news.tut.by/economics/427068.html>>.

winner as one might have hoped. Even beforehand, during public debates on the Belarusian writer's chances of winning the Nobel, animated discussions erupted over her uncertain national allegiance and dubious linguistic preferences. Aleksievich's victory only complicated the issue, with one section of the nationally minded intelligentsia deeming it a disaster for "Belarusianness".

The Belarusian authorities' reaction was both revealing and wholly predictable: strained, official written congratulations, promptly followed by the president criticising the "disloyal" author for her insufficient patriotism (vis-à-vis the official stance). As a result, the Belarusian cultural field made very little use of Nobel laureate Aleksievich's potential as a strong player with international authority, and she was forced out for being an influential social activist and a genuine newsmaker.

The PEN-Centre's proposal to level the playing field with another literary contest for authors writing in Belarusian or Russian provoked harsh criticism from stalwarts of the "mother tongue" (some even gave up their PEN-Centre membership). These linguistic discussions were clearly underpinned by a generational clash between the national-romantics of the 1990s and the national-pragmatics of the 2010s.

The state's customary filtering of cultural content resurfaced in a series of arbitrary, *repressive solutions*.

Zmicier Vajciuškevič, the sovereign of Belarusian "sung poetry", was officially branded an extremist and received a paper to that effect from Minsk city executive committee's cultural department.<sup>2</sup>

A group photo showing military cadets sporting *Pahonia* ("The Chase" – the original Belarusian coat of arms) T-shirts beneath their unbuttoned shirts whipped up a scandal that ended in administrative penalties for the young patriots.

A show about Branislaŭ Taraškevič, performed several times at the Belarusian State University's student theatre, suddenly found itself without a venue for no logical reason.

<sup>2</sup> "Улады забаранілі Вайцюшкевічу выступіць, прызнаўшы яго творчасць экстрэміскай." *Радыё Рацыя*. 15 July 2015. Web. 5 Apr. 2016. <<http://www.racyja.com/kultura/ulady-zabaranili-vajtsyushkevichu-vystu/>>.

State services temporarily blocked the website *KYKY.org* for reposting an "offensive" blog post about May 9.<sup>3</sup>

The entire print run of the book *The Long Road from Tyranny: Post-Communist Authoritarianism and the Struggle for Democracy in Serbia and Belarus*, by the late political scientist Vital Silicki, was destroyed by its publishers after the company was threatened with liquidation.

Artists on the "blacklist" – Volski, Vajciu kevi and Mikhalok – were still unable to organise fully legal concerts in their own homeland.

The conflict between independent publisher Logvinov and the ministry of information almost ended in the closure of the company and its bookshop. An international solidarity campaign saved the day by rapidly raising BYR 967 million Belarusian roubles (approx. 43,500 EUR on 3/5/16) in donations from 27 countries to pay off Logvinov's fine.

Constant pressure from the authorities has spawned the creation of its shadow doppelgänger – guerrilla culture. On its latest album, *Chyrvony Shtral'* ("Red Sztral"), carousing show-band *Krambambulya* declared itself a military unit and retreated into the forests like partisans, while the singing beefcakes of *Brutto* belted out *Partizan Rok* ("Partisan Rock"), which they plan to expand into an eponymous anti-imperialist fest.

A stormy public debate was stirred up by *Vier nica* (a version of the *Pahonia* emblem, featuring a horsewoman instead of the usual knight), seen as brilliantly novel by some, and a profanation by others. One of the original emblem's creators, Uladzimir Krukouski, publicly pledged to take the artists to court, effectively denying the new generation the right to upgrade its national symbols.

Last year's furore over the tribute project *Re: Piesniary* ("Re: Songsters") resumed in court in spring 2015, with songwriter Oleg Molchan condemning Anastasiya Shpakovskaya's "unfaithful" rendition of his song *Malitva* ("Prayer"). Society continues to stagnate due to the immutability of the cultural canon, which rejects all facelifts, differing viewpoints, grass-roots initiatives,

<sup>3</sup> The Soviet Victory Day to commemorate the German capitulation that ended World War II.



or rotation among its “top brass”. In turn, this has deepened the rift dividing artistic activists into the permitted and the undesirables, the loyal and the “saboteurs”.

The surge of mass interest in traditional national designs that peaked in 2014 turned out to be another flash in the pan, which slid smoothly into a self-referential phase of banal replication. “Looking local” has now been irreversibly transformed into *casual* dress. National designs even wound up on the label of Bobrov beer and an “embroidery-patterned” barbecue basket from vodka firm *Bul’bash* (“*Spudmuncher*”). Throughout the year, models, sports personalities, bar staff and state TV journalists would occasionally don “progressive” embroidery-print T-shirts. For three months, the basement of the Palace of the Republic, opposite the presidential administration building, operated as *Placo ka Hall*, a themed club fitted out with traditional national designs.

This year, the Belarusian National Youth Union began handing out ribbons with red-and-white designs in the streets. At the end of the year, that pro-state organisation announced that, together with Minsk city executive committee and the ministry of culture, it intended to organise its own Embroidery Day. The regime now considers non-aligned, supra-ideological pop designs acceptable, since their political message has generally been diminished. This is why they have been so readily assimilated and swallowed up by the state ideological machine – like a fresh carnation in the head of state’s buttonhole.

### Cultural policy: the pros and cons

The past year was marked by renewed attempts to manage culture bureaucratically, which continued to be a failure. A draft *Cultural Code* was made public for open discussion in 2013, but was never adopted. It was put up for discussion again in December 2015, however. Judging by the wording of the draft Code<sup>4</sup> (which claims to be the “*first and only one in the*

<sup>4</sup> “Праект Кодэкса Рэспублікі Беларусь аб культуры.” *Міністэрства культуры Рэспублікі Беларусь*. Web. 5 Apr. 2016. <[http://kultura.gov.by/temp/Of\\_the\\_Code\\_of\\_the\\_culture.doc](http://kultura.gov.by/temp/Of_the_Code_of_the_culture.doc)>.

*world*”), culture is chiefly regarded as something to be influenced and controlled administratively, and its priorities are to foster patriotism and preserve cultural heritage.

Cultural output must be produced in state-sanctioned quantities by “suitable” institutions, staffed by an adequate number of employees with state certification (and the relevant documents). The Code still contains no mention of mechanisms for implementing cultural projects, although it does describe management and supervision procedures. The basic principles of the draft are reactionary and conservative in nature; they proclaim culture to be a repository of values, and are largely aimed at preserving and replicating the existing, sluggish cultural order.

In a similar vein came another administrative initiative – the draft decree “on several issues concerning film production and stimulating cinematographic development in the Republic of Belarus”. This decree plans to introduce licensing for film-making in the country: “Film production in the Republic of Belarus ... is permitted with a licence to make films in the Republic of Belarus, issued by the Ministry of Culture or its authorised body (or bodies), in accordance with the legislation governing administrative procedures, in the form prescribed by the Ministry of Culture. ... Licences will be issued for each (specific) film production, irrespective of running time or number of episodes, and must be issued before the film production begins”.<sup>5</sup> If this draft is passed, the proposed complete state takeover of the film-production process will spell the end of independent cinema, and paralyse any unofficial film initiatives.

In practice, similar attempts to treat culture as a state resource subject to bureaucratic agreements resulted in a range of fiascos last year. Organising the Belarusian pavilion at the Venice Art Biennale 2015 proved to be problematic: owing to managerial setbacks, the chief sponsor pulling out, and

<sup>5</sup> «Проект Указа “О некоторых вопросах производства фильмов на территории Республики Беларусь и стимулирования развития кинематографии”.» *Facebook* (Андрей Курейчик). 11 Sep. 2015. Web. 5 Apr. 2016. <[https://www.facebook.com/permalink.php?story\\_fbid=10153712149344673&id=556399672](https://www.facebook.com/permalink.php?story_fbid=10153712149344673&id=556399672)>.

funding delays from the ministry of culture, Aleksey Shinkarenko and Olga Rybchinskaya's project *War Witness Archive* was never fully implemented. It closed a week after its opening, continued as an online presentation for another month, then reopened, only to come to an end *two months* before the Biennale closed its doors.

The winner of a competition for state funding – William Devital's film *My, brat'ya [Avel']* (*"The Code of Cain"*), which received USD 2 million in backing from the state – was finally unveiled to the public after *three* postponed premieres. It was a box-office flop, however, garnering a wave of negative reviews and swiftly vanishing off the screens. The state commissioned a national blockbuster, the director made a commercial movie, and both sides lost out in the end.

Another ministry of culture cinema competition (in which all the winners just happened to represent *Belarusfilm*) was also marred by scandalous decisions: although Andrey Golubev's entry *Sledy na vode* (*"Ripples on the Water"*) was successful, an invited Russian film-maker, Yegor Konchalovskiy, was commissioned to direct it.<sup>6</sup> By the same token, the Francysk Skaryna Medal was awarded to a Russian pop producer, Viktor Drobysch.

As previously, the year's main creativity was to be found beyond the confines of the state. At *BulbaMovie 2015*, the "new wave" of independent film-makers spoke up confidently, forging ahead with their ideas without concern for state ideological or stylistic censorship. This new cinema – ranging from Mitriy Semyonov-Aleynikov's social drama *Odna krov'* (*"One Blood"*) to the vaudeville grotesque of Andrey Kureychik's *GaraSH* (*"GarIDGE"*) – is funded by the directors themselves, allowing them to make exactly what they want.

The godfather of Belarusian indie cinema, Andrey Kudinenko, established a creative film research laboratory with his portmanteau project *Khronotop* (*"Chronotope"*). Meanwhile, a popular release was *Heta Belarus, dzietka!* (*"This is Belarus,*

<sup>6</sup> «Скандал: гендиректор "Беларусьфильма" назначил победителей конкурса кинопроектов?» *Белорусский партизан*. 16 Nov. 2015. Web. 5 Apr. 2016. <<http://www.belaruspartisan.org/life/324435/>>.

*babe!*"), an informal visitor's guidebook by Marta Chernova and Masha Cheryakova – two foreign authors with Belarusian roots – offering lively instructions on how to survive in the land of triumphant stability.

The Autumn Salon with BelGazPromBank was a rare case of Belarusian business investing in the art world, albeit with a debatable "three-in-one" concept: an exhibition and sale of banal art of our times, an exhibition of classic works by École de Paris artists, and an arts competition with a foreign jury.

The first Belarusian ever to be nominated for a Grammy Award was Anton Matsulevich, drummer for the indie band *IQ48*. He ended up among the top names on the current music scene after producing a track for the American rapper *Fetty Wapp*.

## Conclusion

The dynamics of the cultural situation in 2015 were entirely in line with trends we have indicated in previous reviews.

On the one hand, the state has maintained its monopoly on cultural policy by striving to preserve and reinforce administrative control over the production and distribution of cultural output. On the other hand, it is helpless when it comes to assessing and comprehending works by independent cultural activists, so bureaucratic red tape and administrative measures are applied to foil them.

The unwieldy state administration is incapable of providing responsive cultural management, effective funding, ideological pluralism, or specific support for creative culture. Therefore, it constantly lags behind its more dynamic neighbours to the East and the West, and inevitably loses out.

The conceptual void of the state "meaning machine" is transforming state-subsidised culture into a purely decorative element of the existing social order, devoid of any apparent innovative potential.

We are observing a devaluation of the classic national cultural concept: the local cultural space is becoming increasingly ill-defined. This has rendered it closer to European standards in terms of content and style, but nevertheless underlines the urgent need for radically new national identity models.

Despite being decentralised and multi-faceted from the outset, post-political grass-roots culture has proved equally incapable of shaping the nation's collective consciousness. By mechanically replicating humdrum practices without any intelligent, overarching strategy, “*soft Belarusification*” has left the ideological canvas blank, to be filled with foreign slogans and borrowed cultural myths.

## SPORTS DURING A CRISIS

**Barys Tasman**

### Summary

The crisis in the economy immediately affected the sports industry, one of the largest expense items of the Belarusian budget. Investments in youth and mass sports, as well as in football declined significantly. The situation is aggravated by corruption, doping and other scandals and managerial confusion. The most positive outcomes are associated with the global leadership of Belarusian rowing and canoeing and a recovering athletics sector.

### Trends:

- Organizational changes in athletics;
- Degradation of youth sports, problems with the preparation of sports reserve;
- Underperformance in the pace of winning Olympic licenses;
- Blundering at the management level;
- Deterioration of the situation of doping control;
- Imports of players from Russia and North America.

### Golden system

Perhaps the only kind of sports in the country which regularly brings medals at global and continental championships is rowing and canoeing. The head coach of the national team Uladzimir Shantarovich has created a system of upbringing world-class athletes. The elements of the system are youth sports schools, Olympic reserve school, junior and senior national teams, a medical group and the problem laboratory of Homiel University that investigates physiological abilities of athletes. Shantarovich gets appropriate funding for those professionals who ensure high performance. At the 2004 Olympics only *one* Belarussian crew got on the podium, while during the 2008–2012 Olympics there had been *three* crews annually.

In the 2015 season the Belarusian kayakers and canoeists emerged triumphantly in three top tournaments: at the European Games in Baku the Belarusians got on the podium *five* times (*three* gold and *two* bronze medals), at the European

Championship in Ra ice, Czech Republic, Belarus won eleven medals (4 gold – 3 silver – 4 bronze), at the World Forum in Milan Belarus got ten medals (5 gold – 2 silver – 3 bronze). In Italy, Shantarovich's squadron achieved its first team victory at the World Championships, having left behind traditional leaders of rowing and canoeing from Germany and Hungary. A real prima donna, 27-year-old Maryna Litvinchuk won 9 gold medals at top tournaments.

### Movements at the 'Royal' front

Athletics has the biggest Olympic fund – 47 disciplines as befits the queen of sports. Belarusian athletics had bad luck with managers: in 2003–2014 it was headed by officials who drove the industry into a deep crisis. At the World Championships of 2009, 2013 and at the 2012 Olympics, the Belarusians did not win any medals, and in London no Belarusian athlete could rise higher than the seventh place. At the same time, anti-doping investigations deprived Ivan Tsikhan, Andrei Mikhnevich, Nadzeya Ostapchuk and Katsiaryna Artsukh of Olympic and world medals. 37-year-old Vadim Devyatovskiy, Deputy of the House of Representatives of the National Assembly of Belarus and in the recent past an Olympic winner in hammer throwing became the Chairman of the Federation in 2014. He got rid of the warring clans, gathered a new team of managers, and found investment for specific projects. The most popular was the program “300 talents for the queen”, which tested about 200 thousand pupils of primary schools throughout Belarus. 300 gifted children first were invited to a one-week camp, and then to the New Year's Eve Finale with the participation of the President of Belarus.

The national championship was first held at the level of international top tournament. Mr. Devyatovskiy found sponsors who financed prizes not only for winners but also for runners-up. In total, more than a hundred athletes received material rewards, which had never happened before.

The results of the beneficial changes were medals at the World Championship in Beijing: Maryna Arzamasava won the title in the most competitive distance of 800 meters, Alina Talay

won the bronze medal in the hurdle race of 100 meters. Another significant event was the Minsk application for the indoors European championship in 2019.

There are a number of problems in athletics but the changes that have started are encouraging.

### Hello from Olga Korbut

Long ago, in the 1960s and 1970s, the Belarusians Alena Valchetskaya, Larysa Petrik and Tamara Lazakovich were the top stars at the firmament of world gymnastics. But Olga Korbut, also known as *The Sparrow from Minsk*, overshadowed all. Her coach, Renald Knysh invented the gymnastics of tomorrow. A 17-year-old Belarusian, who won three gold medals at the 1972 Olympics in Munich, became the most popular person of the year. In America, Europe, Australia a gymnastic boom started, “Olga Korbut's clubs” were opened everywhere... Last time a Belarusian gymnast (Svetlana Boginskaya) got on the Olympic podium was in 1992, almost a *quarter of a century* ago.

In 2015 Belarus sent ordinary American gymnasts, Alaina Kwan and Kylie Dickson, to the World Championships for Olympic licenses. In Minsk they hastily received Belarusian citizenship. At the world championship the new Belarusians took 73<sup>rd</sup> and 75<sup>th</sup> places. Antonina Koshel, under whose authority women's gymnastics has systematically degraded since the mid-1990s, commented this in the following way: “It is very important to understand the situation and represent it correctly. The task was performed and we got the right to fight for a license. We did all we could. Our young gymnasts would not be able to overcome this threshold. They usually win 48–49 points. In Glasgow the ‘passing’ score was 50.3. American girls scored more than 51. And one should not take into account the places: there was no way we could take the strongest sportswomen from the United States. All the best are in teams of other countries. Count the girls cost almost nothing to us”.<sup>1</sup>

Athletes from the North Caucasus represented Belarus in

<sup>1</sup> «Поймите правильно.» *СБ. Беларусь сегодня*. 27 Oct. 2015. Web. 7 Mar. 2016. <<http://www.sb.by/sport/news/poymite-pravilno.html>>.

freestyle wrestling at the 2015 World Championships, which earlier had been famous due to a Belarusian athlete with the name of Alexander Medved. They didn't get any medals or Olympic licenses. Is this the homespun truth of the Ministry of Sports: to close low-budget children's and young person's sports schools and to purposefully form an expensive national team at the cost of third-rate mercenaries?

### With the shield or on the shield?

For Belarusian hockey the 2014/2015 season was successful. Minsk *Dinamo* took the 9<sup>th</sup> place in the championship of the Kontinental Hockey League (KHL) among 28 clubs (in the Western Conference it took the 5<sup>th</sup> place out of 14). Last season *Dinamo* finished only 26<sup>th</sup> in the overall standings and as the last, 14<sup>th</sup>, in the Conference. The leap of 17 places in the table did not pass unnoticed for hockey fans. At the eleven games out of thirty, tribunes of Minsk-Arena with a capacity of 15 thousand seats gathered full house and an average attendance of home matches of *Dinamo* (14 120 spectators per match, the attendance is 93.6%) dominated in the KHL and came second in Europe after the Swiss Bern (16 164 spectators per match, the attendance rate is 94.4%). The success of *Dinamo* was ascribed to the new General Manager Uladzimir Berazhkov, who used to head the most popular Belarusian sports newspaper *Pressball* for more than twenty years.

At the World Championships in the Czech Republic the national team of Belarus under the direction of Canadian coach Dave Lewis made it to the top eight teams for the second year in a row, having taken the 7<sup>th</sup> place. The value of this achievement is higher than last year, as the world leading team rosters were significantly weakened at the post-Olympic tournament in Minsk. Besides, the Belarusians beat the U.S. national team – 5:2 for the first time. The youth national team (the youth team of Minsk *Dinamo*) under the direction of Pavel Perepekhnin after *eight* years in the second division of the World Championship got the right to play in the Premier League.

However, after the arrest of the directors of last year's success (see below) *Dinamo* dropped from the 9<sup>th</sup> place to the 18<sup>th</sup> in

2015/2016 and did not get into the play-off. Match attendance fell by 20%, the occupancy rate of Minsk-Arena dropped to 76%. The national youth team miserably tumbled out of the elite at the World Cup.

### Reduction as optimization

Sports officials gave a new meaning to the term *optimization* – that is 'reduction'. From 2007 to 2015 in the framework of optimization 56 children's and young person's sports schools (CYPSS) were closed in the country – from 451 schools remained 395; the number of students there decreased by 35 thousand – from 193 to 158 thousand. These data were presented at the board meeting of the Ministry of Sports and Tourism of Belarus. Other 120 schools are on the verge of closure.

At the same time, the availability of sporting equipment of CYPSS is 11–20%. As the vice-president of the Belarusian National Olympic Committee, assistant to the president on physical culture, sports and tourism Maxim Ryzhenkov noted "before closing, we have to look at what we have done for them to work efficiently." However, what is said afterwards has little weight.

Let us see how the optimization of the Ministry affected the quality of training of sports reserve. Did the number of sports stars and medals increase? For comparison, we will take the odd-numbered years to have an equal number of world cups (see Table 1).

**Table 1. Medals of Belarusian athletes at the World Championships, 2003–2011 (Olympic disciplines)**

Year	Gold medal	Silver medal	Bronze medal	Total
2003	5	9	14	28
2005	5	5	9	19
2007	6	6	4	16
2009	4	4	4	12
2011	4	7	8	19
2013	2	2	7	11
2015	5	1	7	13



As can be seen, the number of medals won at world championships by Belarusian athletes during the last 12 years has decreased approximately twofold – from 28 to 13. The 2015 season was quite successful regarding the number of gold medals won in the Olympic disciplines: *five* medals, which is close to the maximum. Two medals were won by rowers (women’s kayak fours and a canoeist, Artiom Kozyr), one medal went to a runner Maryna Arzamasava, one more – to cyclist Vasily Kiriyenka, who has performed for many years abroad, and the last went to bodybuilder Vadzim Straltsou.

In rowing and rhythmic gymnastics the mechanism of upbringing a new sports shift is created. But in most kinds of sports the situation is deplorable.

### Who will go to Rio?

In the Olympic direction the strategy of the Ministry of Sports is failing. At the board bringing the end of 2015, leaders of the sphere stated different numbers of won licenses, ranging from 79 to 81. Other estimates show that at that time there were around seventy licenses. According to Maxim Ryzhenkov, eight years ago we had 160 licenses and four years ago 138.

The draw of the Olympic licenses will continue until mid-July. Now, however, they will be more expensive in the literal sense: it is necessary to send hundreds of athletes, coaches and officials to qualifying competitions around the world with ambiguous results. In the sports aspect there is also an imbalance: the peak of athletes’ strength will be aimed at winning licenses instead of winning the Olympics.

The number of Olympians defines the size of the staff – managers, coaches, medical workers. But is it really necessary to throw money at the Olympic Games in the middle of an economic crisis?

### Progressive criminalization

Corruption scandals in the Belarusian sports are not a surprise to anyone. Budget funding provides swindlers with diverse opportunities of embezzlement. Criminal schemes often involve

high ranking officials. In 2014 Deputy Minister of Sports and Tourism, Sergey Nered was sentenced to five years “for abuse of office” while defining the winners of a tender for the supply of sports equipment.

In 2015, Natalia Kraiko, Director of the Republican Center of Olympic Training in chess and checkers was also handed a sentence. The total damage she caused to the state was USD 20 000. It is interesting that Kraiko is an arbitrator of Sports arbitration court of the Republic of Belarus, where she oversees the “Contractual relations in the sports sphere, legal support of procedure of organization and carrying out of competitions”.

A former CEO of Minsk basketball club *Cmoki* – Konstantin Sherewerya was accused of embezzling BYR 7.2 billion in the period from 2010 to 2014. According to the prosecutor, Sherewerya took bank cards from employees of the club, withdrew money and gave to his employees only that sum of money which had previously been orally agreed upon. Players and coaches signed a confidential agreement to the contract, but the sum was written down into the contract by Sherewerya later, when the signature of the employee had already been in the document. Finally, the hockey success was supplemented by a series of arrests and resignations. In July, General Director of Minsk *Dinamo*, Maxim Subotkin, was sent to a detention center, three weeks later the General Manager of the HC Uladzimir Berazhkov joined him. In September Pavel Perepekhin was fired from the national youth team, in October he was followed by the head coach of *Dinamo Lyubomir Pakovich*.

Maxim Subotkin was charged with creating private limited company Marketing HC *Dinamo*, an affiliated structure where he imitated the constituent Assembly, assigned himself a monthly salary of BYR 45 million and on behalf of the club signed fictitious contract for consulting services in the amount of BYR 400 million. Subotkin’s actions were qualified under article 426 part 3 of the criminal procedure code (*Abuse of powers or self-dealing*), article 424 part 3 (*Malfeasance in office or official misconduct*); article 210 part 4 (*Embezzlement*). However, the Patriarchal Exarch of all Belarus Pavel awarded Maxim Subotkin (who was at that time in remand prison) with the diploma *For diligent work to the glory of the Holy Church and the Fatherland*.

The award was given in absentia, in Babrujsk temple of the Holy Spirit.

Uladzimir Berazhkou, according to investigators, fictitiously employed an acquaintance, from whose bank card he took money – more than BYR 1 billion in total. Berazhkou recognized the violation and reimbursed the sum of money he had taken, however, he insisted that he did not appropriate the money but spent it for the benefit of the club, in particular on hospitality expenses.

An unprecedented campaign in support of Berazhkou started in the country. His colleagues and hundreds of thousands of readers of *Pressball* newspaper know Berazhkou as a talented journalist and editor, fighter against corruption in the sports. In September, several influential figures asked President Lukashenko to release Berazhkou before trial from jail under personal guarantees, and in October, players and coaches of HC *Dinamo* wrote a letter to the president with the same request. The pre-trial restriction, however, was not changed.

## Conclusion

The economic crisis ‘shifted’ the sports industry to the position of the leaning tower of Pisa. Adherence to common good aims of optimization and cost efficiency in the field of sports resulted in the sequestration of children’s and young person’s sports schools. Despite the fact that the preparation of the reserve was the Achilles heel of the industry. This could not but impact the level of elite sports. To cover the deficit of athletes of the international class the Ministry of Sports purposefully imported foreign players, mostly from Russia (wrestlers, biathletes, skiers, etc.) and North America (hockey, gymnastics). In an extraordinary manner they got Belarusian citizenship, which is granted by the decision of the head of state.

The doping problem is still acute. After the World Cup in Houston Belarusian weightlifters Alexander Venskel and Anastasia Novikava were disqualified, the latter will be disqualified for a lifelong period. In the list of offenders there are *six* athletes, *three* bicycle racers, swimmers, wrestlers and handball players.

Funding of national teams remains high. When assessing the needs of their funding their efficiency is not taken into account, unlike children’s and young person’s sports schools. The Minister of Sports and Tourism Alexander Shamko stated that at the Olympic Games in Rio 15 kinds of sports can potentially bring medals for Belarus, while there are around 50 national teams. It can be assumed that the upbringing of top-class athletes is not the only function of the national teams. Perhaps it is equally important to extract monetary funds from the state budget. In view of the priority of budget financing of the sports industry it is unreal to expect that in the near future the crisis will be overcome.

## PUBLIC OPINION: BACK TO REALITY

Yuri Drakokhrust

### Summary

In 2015, the decline in living standards which had replaced the stagnation of 2014, affected public attitudes and the results of the presidential election. Although according to the polls Aleksandr Lukashenko managed to get 50% of the votes, the 2015 election results were the worst during his presidency. The 'Ukrainian factor' was still active and helped to distract attention from the decline in living standards as compared to the situation of the southern neighbors, but it had less impact than in 2014.

Tatsiana Karatkevich's election campaign showed the phenomenon of the 'third Belarus' – the presence of a fairly large group of voters that differs both from Lukashenko's traditional electorate and from the classical opposition electorate.

### Trends:

- Reduction of social optimism indicators;
- Decline in President Lukashenko's popularity at the beginning of the year and its sluggish rise during the election campaign;
- A significant reduction in the level of pro-European sentiments;
- Continued high support of the Russian stand on the Crimea and the rebellion in Donbass;
- A positive consensus in regard to Svetlana Aleksievich who was awarded the 2015 Nobel Prize for literature.

### “Geese are not the main point, the thing is that everything is wrong”

These lines from Vladimir Vysotsky's song perfectly describe the self-awareness of Belarusians in 2015. After the crisis of 2011, real disposable incomes of the Belarusians increased quite intensely in 2012–2013: in 2013 the growth totaled 17.2%. 2014 was the beginning of the 'poor years' and was characterized by almost zero income growth. In 2015, there was a fall in real income by 5.4%, and in real salary by 3.8% (January-October). Zero revenue growth in 2014 influenced Belarusians' evaluations of their financial situation and expectations only slightly, while the decline of 2015 had a visible impact.

Tables and analysis presented below provide the data of the quarterly polls of the Independent Institute of Socio-Economic and Political Studies ([www.iiseps.org](http://www.iiseps.org)).

**Table 1. Change in answers to the question: “How has your personal financial situation changed over the past three months?”, %**

Answer	06'11	12'12	12'13	03'14	03'15	06'15	09'15	12'15
Improved	1.6	17.4	12.6	10.1	8.6	9.0	9.8	10.5
Has not changed	23.2	54.0	58.1	63.3	44.0	51.3	44.4	45.0
Deteriorated	73.4	26.7	28.4	25.2	46.3	37.2	42.5	42.4
Welfare index*	<b>-71.8</b>	-9.3	-15.8	-15.1	-37.7	-28.2	-32.7	-31.9

\* Welfare index (the difference of variation of positive and negative answers).

**Table 2. Change in answers to the question: “In your opinion, is the situation in our country developing in the right or wrong direction?”, %**

Answer	09'11	12'12	12'13	03'14	03'15	06'15	09'15	12'15
In the right direction	17.0	33.5	31.9	40.2	36.9	34.6	34.8	36.7
In the wrong direction	68.5	46.1	54.1	46.2	45.8	49.4	48.0	50.9
Difficult to answer / No answer	14.5	20.4	14.0	13.6	17.3	16.0	17.2	12.4
Index of the correctness of the line	<b>-51.5</b>	-12.6	-22.2	-6.0	-8.9	-14.8	-13.2	-14.2

**Table 3. Change in answers to the question: “How will the socio-economic situation change in Belarus in the years to come?”, %**

Answer	06'11	12'12	12'13	03'14	03'15	06'15	09'15	12'15
Will improve	11.9	23.3	12.5	24.0	23.1	21.7	20.6	16.5
Will not change	20.3	34.6	46.1	45.0	36.1	36.0	37.2	40.2
Will become worse	55.5	29.7	35.9	26.1	33.6	36.5	36.2	36.4
Index of expectations	<b>-43.6</b>	-6.4	-23.1	-2.1	-10.5	-14.8	-15.6	-19.9

These tables show that in the period of 2011–2014 there were time lags and a lack of linear correspondence with the state

of the economy. In 2013, when revenues continued to grow, the assessments of private welfare, the course and prospects of the domestic economy worsened in comparison with 2012. In 2014, when income growth stopped, the course and prospects indicators improved due to the ‘echo’ of the increased revenues of 2012–2013 and due to a modest but safe situation in comparison with that in Ukraine. At the same time the standard of living index remained almost unchanged.

Economic difficulties in late 2014 and 2015 had an immediate impact on assessments and expectations: the values of all indices went down. The most sharply declining index was the standard of living index, its highest (negative) value in the March poll was apparently a direct result of the devaluation and the panic of late 2014. The value of this particular index as the least susceptible to ideological influence remained lower during the whole year than in 2013, however it was exceeding the catastrophic values of the critical 2011.

The worsening of the assessments of the current economic situation and its prospects did not cause a corresponding increase in society’s willingness to change anything. Thus, in December 2015 the ratio of those who preferred to maintain the current situation, and those who wished changes was the same as in December 2014: 36.7% vs 55.4% (in December 2010 it was 18.0% vs 70.1%).

The number of those who believe that internal and foreign policy of Belarus in the next five years will change dramatically, decreased significantly: if in December 2014, 34.5% considered it possible, 45.9% considered it unlikely and 13.8% considered it impossible, then in December 2015 these figures were 27.5%, 51.6% and 16.1% correspondingly. If in June 2011, in the midst of the economic crisis, 16.0% confirmed their willingness to participate in rallies and pickets to express their opinion and 13.6% were ready for strikes, then at the end of 2015 only 13.4% and 2.0% respectively expressed their readiness for such actions.

### The worst election for Alexander Lukashenko

The growth of social pessimism in the socio-political dimension expressed itself in the worse attitude to the authorities.

Compared with December 2014 confidence index decreased almost in all governmental institutions, including the president. The presidential election also became an indicator of this attitude. The president’s ‘resilience’ was enough to hold the election and win it. But the election campaign and its results became a ‘close call’.

Contrary to the hopes of the opposition, the boycott of the 2015 election did not take place. However, according to the IISEPS data, the turnout of 70.2% was the lowest in presidential elections during Lukashenko’s presidency: in 2001 it was 85.0%; in 2006 – 92.0%, in 2010 – 88.0%. At all previous elections in the last months before the vote, there was a surge in the rating of the incumbent president, and the elections passed at the level of a peak rating.

In 2015, a noticeable decline in the popularity of the President occurred in the first quarter, then there was an increase, and before the elections a new decline occurred: in September 2015, 45.7% of respondents said that they would vote for Lukashenko, in December 2015, only 35.6% reported that they actually voted for him in the October election (see Table 4).

**Table 4. Overview of the electoral rating of President Lukashenko, %**

Date	12'13	03'14	06'14	09'14	12'14	03'15	06'15	09'15	12'15
Rating	34.8	39.8	39.8	45.2	40.0	34.2	38.6	45.7	35.6

**Table 5. Change in answers to the question: “In your opinion, are the election results announced by the Central Election Commission valid or falsified?”, %**

Answer	04'06	12'10	12'15
Definitely valid	38.1	32.7	24.6
Rather valid	25.6	29.9	27.5
Rather falsified	14.1	16.2	25.2
Definitely falsified	14.9	13.2	9.2
Difficult to answer / No answer	7.3	8.0	13.5

If we focus on the share of votes out of the number of the voters, then according to the IISEPS, the result of 2015 was the

worst during Lukashenko's presidency: in September 2001, he got 57.0% votes, in March 2006 – 63.0% in December 2010 – 58.0%, in October 2015 – 50.1%.

Compared to previous elections the number of those who thought that the election results were rather “definitely falsified” increased significantly (see Table 5).

### **The phenomenon of Tatsiana Karatkevich and the ‘third Belarus’**

*The sensation* of the election was the result of the opposition candidate and activist of the Tell the Truth campaign, Tatsiana Karatkevich. A year ago, an unknown activist won the support of 15.7% of all voters (22.3% of the number of those who came to vote). This result is comparable with the best results of Lukashenko's main opponents at the *previous elections*: Uladzimir Hancharyk, the candidate from united opposition forces, received a quarter of the votes in 2001, Aliaksandr Milinkevich got 18.3% of the votes in 2006, and Uladzimir Niakliajeu got 9.7% votes in 2010.

In the latest election Tatiana Karatkevich was the only opposition candidate, which can be regarded as her advantage. However, little publicity before the election and a sharp criticism of colleagues from the democratic camp became factors that acted against her. The fact that Karatkevich's final result was not worse than that of much more famous predecessors, implicitly suggests that in 2015 the potential of dissatisfaction and need for alternative was quite high in society.

In addition, the analysis of the results of the vote for Karatkevich showed the presence of a part of the population that had previously remained in the shadow of the confrontation of Lukashenko's traditional electorate and the classic opposition electorate. IISEPS analysis of the results of the 2006 election was called “Another Alexander – another Belarus”. It showed that the voters of Lukashenko and Milinkevich differed from each other as a mirror image: the incumbent President won the votes of the elderly, while the main opposition candidate won the votes of the young, Lukashenko's voters favored a Union with Russia, Milinkevich's voters preferred integration with the EC, etc.

The polls results show that Karatkevich's electorate is a kind of the ‘third type of Belarus’. To compare Karatkevich's electorate with other electorates we will use the answers to the open question concerning the hypothetical voting in the presidential election (IISEPS poll of December 2015). 33.3% of the respondents put the name of Lukashenko, 9.9% put the name of Karatkevich. In addition, the names of 16 more politicians were listed. Let us choose the politicians with democratic orientation out of them and consider their joint electorate, which we will call ‘the opposition outside the election’. They are Kazulin, Milinkevich, Paznyak, Liabedzka, Shushkevich, Ramanchuk, Kastusiou, Niakliajeu, Sannikau, Statkevich and Dashkevich; their total electorate is 8.0%.

According to most socio-demographic characteristics, Karatkevich's electorate was intermediate between the electorate of the incumbent President and that of the ‘opposition outside the election’. The share of pensioners and people over 60 years among Karatkevich's supporters was bigger (13.6%) than that of the ‘opposition outside the election’ (9.0%), but smaller than that of Lukashenko (40.1%). The number of respondents with higher education among Karatkevich's voters was 25.8%, among the supporters of the ‘opposition outside the election’ it was 39.0% and among Lukashenko's electorate it was 15.7%. Especially impressive are the differences in the type of settlement: almost every second supporter of ‘the opposition outside the election’ is a metropolitan, Karatkevich's supporters are distributed evenly between Minsk and the village.

Regarding political preferences, the differences are even greater. Karatkevich's voters support market reforms (70.9%), though not as actively as voters of the ‘opposition outside the elections’ (81.9%), while among Lukashenko's supporters those who favor ‘market reforms’ count for only 38.4%. The electorate of the ‘opposition outside the election’ rather trust the opposition parties, while Karatkevich's electorate assess them quite negatively, but not as much as Lukashenko's supporters.

The same situation is seen in the question regarding the Russian annexation of the Crimea. The electorate of the ‘opposition outside the election’ mostly condemns it, while Karatkevich's electorate mostly supports it. Supporters of the



‘opposition outside the election’ choose European integration and Karatkevich’s *supporters are divided* in a geopolitical choice.

This does not mean that the candidate of the Tell the Truth campaign had found the ‘golden key’ to the Belarusian politics or paved the way to success. But at least she showed to the Belarusian society something important about it, something that the society had not known about itself before.

### Facing Russia: away from Europe

The polls in 2015 recorded a growth of pro-Russian sentiment and a dramatic decline in pro-European sentiment (see Table 6).

**Table 6. Change in answers to the question: “If you had to choose between integration with Russia and joining the European Union, which would you choose?”, %**

Answer	12'08	12'10	12'12	12'13	03'14	12'14	03'15	06'15	09'15	12'15
Unification with the Russian Federation	46.0	38.1	37.7	36.6	51.5	44.9	46.5	51.4	52.7	53.5
Membership in the European Union	30.1	38.0	43.4	44.6	32.9	34.2	30.8	31.4	26.4	25.1
Difficult to answer / No answer	23.9	23.9	18.9	18.8	15.6	20.9	22.7	17.2	20.9	21.4

It is not without ground that the decrease in pro-European sentiment of Belarusians is caused by the acute problems in the European Union: the ongoing migration crisis, Islamic terrorism, especially the November terrorist attacks in Paris. Although the problem of migrants is not a problem of Belarus, at least at the present time, the vast majority of respondents objected to their admission in Europe. Most Belarusians (52.2%) think that “it is necessary to send refugees back and not to let them in as they are strangers to Europe”, and less than one third of Belarusians believe that refugees should be accepted because of humanitarian considerations. The EU has a slightly different stand on the question of migrants, which partly caused the decline in the share of the Belarusians who are Europe-oriented.

Also an overwhelming majority of respondents opposed the participation of Belarus in the fight against international terrorism. Europe is not only a region of prosperity, but also a target of Islamist terrorist attacks. Belarusians do not want to show practical solidarity with the attacked Europe and become the next target for an attack: 57.4% are against Belarus participating in the fight against terrorism, while 34.2% support it.

However, no mass ‘westerphobia’ is observed in Belarus. An overwhelming majority of respondents welcomed the easing of the EU sanctions against the official Minsk (see Table 7).

**Table 7. Change in answers to the question: “In October, the EU suspended the visa ban on several hundred Belarusian officials, including President Lukashenko, for 4 months. How do you assess this decision?”**

Answer	%
“This is a wrong decision: the Belarusian regime has not changed, they shouldn’t have eased the sanctions”	19.1
“This is a right decision: Belarus released political prisoners and the European Union took a step in response”	37.5
“This is an insufficient decision: sanctions must be lifted completely and without conditions”	28.5
Difficult to answer / No answer	14.9

In 2015 the Belarusians’ support of Russian policy in Ukraine remained roughly at the same level. This concerns both the annexation of the Crimea and Moscow’s support of the rebellion in the Donbas region (see Table 8, 9).

**Table 8. Change in answers to the question: “How do you assess the annexation of the Crimea to Russia?”, %**

Answer	06'14	09'14	12'14	03'15	06'15	09'15	12'15
“This is imperialist seizure, occupation”	26.9	27.2	31.6	22.0	21.5	26.5	20.2
“This is the return of Russian land, the restoration of historical justice”	62.2	59.9	56.8	58.5	62.3	57.4	65.7
Difficult to answer / No answer	10.9	12.9	11.6	19.5	16.2	16.1	14.1

**Table 9. Change in answers to the question: “Do you support the independence of Novorossiya (New Russia)?”, %**

Answer	12'14	03'15	06'15	09'15
“Yes, the people of Novorossiya have the right to self-determination”	49.5	42.0	47.4	47.1
“No. I support the territorial integrity of Ukraine”	22.1	25.5	27.0	28.1
“There is no Novorossiya, there is Russian aggression against Ukraine”	18.4	15.9	10.5	12.0
Difficult to answer / No answer	10.0	16.6	15.1	12.8

Generally the attitude of Belarusians to the Russian military operation in Syria was positive. Only every fifth of the respondents considered that “Russia once again got into other people’s business and demonstrated its imperial manners”, 30% shared the opinion that “this campaign is the Russian opposition to the global dominance of the West”. A relative majority (48.7%) supported the official Russian stand, according to which “Russia is fighting against terrorism in Syria which threatens the whole world”.

However, respondents did not want Belarus to take part in military actions of any kind. As it has been mentioned, the Belarusians do not welcome the participation of their country in the international fight against terrorism. They do not show much enthusiasm against placing a Russian military airbase in Belarus either, only 27.0% support this idea and over one third (33.9%) is against it.

### “Our winner”

One of the few events of the year which caused positive emotions among Belarusians was the Nobel Prize in literature for 2015 that was given to the writer Svetlana Aleksievich: 57.0% of respondents said that for them it is “a matter of pride and global recognition of Aleksievich’s talent”, less than 20% evaluated the event as “a minor phenomenon, one foreign award among others”, and less than 10.0% said it was “an attempt of the West to hurt Russia and Belarus”.

At the same time what comes to the front is the fact that the attitude to the writer, who has a very clear political position and

publicly condemns the leaders of Belarus and Russia and their policies, did not depend much on the attitude of respondents to these leaders. Among those who trust the President of Belarus, 55.0% said they are proud of Aleksievich’s Nobel Prize, compared to 59.0% of those who distrust Lukashenko. Among those who consider the Russian annexation of the Crimea “a fair return of the Russian lands” 57% are proud of the Belarusian Nobel laureate. A similar attitude was expressed by 61.0% of those who consider this action of Russia an imperialist seizure. Among the supporters of the Belarusian integration with Russia 59.0% are proud of the compatriot-winner, among supporters of the European integration there were 54.0% who welcomed Aleksievich.

Perhaps the most popular mechanism of such attitude was a kind of ‘fan reaction’ that is “ours has won”. However, it should be noted that the discrepancy between the political views of respondents and those of the writer cannot change their attitude to her. In other words, the Nobel Prize of Alexievich became one of the few phenomena that caused a strong positive consensus in the Belarusian society.

### Conclusion

In 2015 the Belarusians assessed both their well-being and economic prospects of the country not as very positive. These sentiments did not lead to direct protests; however, they were reflected in the decline of governmental popularity, and in protest vote for Tatiana Karatkevich, the only opposition candidate in the presidential election. The analysis of her electorate shows the presence of a large group of the population for whom radical political views are not typical, but who nevertheless want radical changes in their country.

Poll data showed a high support of Russian policy in Ukraine (the Crimea, Donbass) and in Syria. At the same time there is a decline in pro-European sentiment, caused both by the confrontation between Russia and the EU over Ukraine and the internal problems of the EU, such as the migration crisis. However, the Belarusians are not inclined to share with Russia its ‘Empire burden’, to pay money and blood for a global role on the world stage.

The deteriorating economic situation of the country generates an increased demand for an alternative. However, the formula of the hymn of the proletarians (the *Internationale*): “We’ll change henceforth the old tradition, and spurn the dust to win the prize!” is not a choice of the Belarusians, at least at the present time: they are ready to support only a moderate alternative.

## ADAPTATION WITHOUT BORDERS. FULL-YEAR 2015 RESULTS

Andrei Vardomatski

### Summary

Belarusians are demonstrating unprecedented achievements in adapting to the constantly worsening economic situation. It is worsening not only according to objective statistical indicators, but also subjective economic moods. This conclusion – adaptation without borders – which has not been elucidated in this article is, in our opinion, the main feature of Belarusian society in 2015. Every molecule of steam inside the Belarusian pressure-cooker changes its own movement trajectory in order to cool down. That cooker’s autonomous steam-processing is especially effective since it has an optional valve...

### Trends:

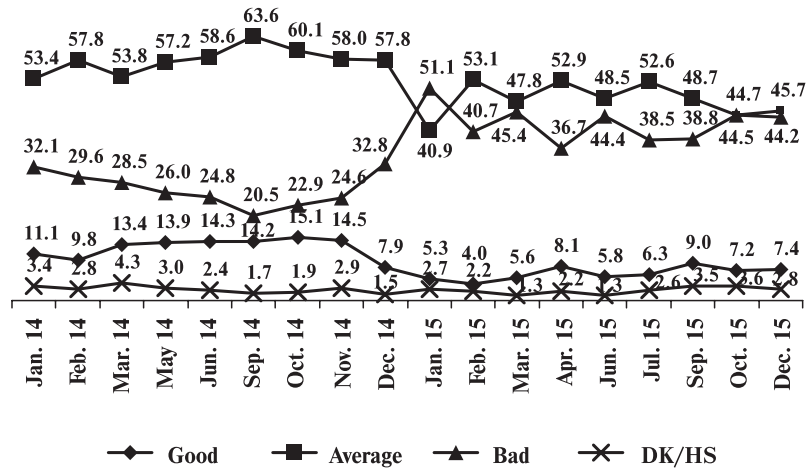
- On the whole, economic moods are worse than in 2014;
- This does not translate into increased protest moods;
- Geopolitical preferences demonstrate a strengthening of pro-Russian orientations;
- Belarusians named president Aleksandr Lukashenko, sportswoman Darya Domracheva, and writer Svetlana Alexievich as persons of the year;
- The most important event in the eyes of Belarusians was the presidential elections.

At the end of each year the *NOVAK* Laboratory carries out a nationwide representative social poll dedicated to general assessments of the past year, traditionally asking the same questions. This year the field research was done between December 12 and 28, 2015, with a sample size of 1036 respondents. All our conclusions are mostly based on this particular empirical data and monthly public opinion monitoring data from the *Belarusian Analytical Workroom*.

### The nation’s economic mood

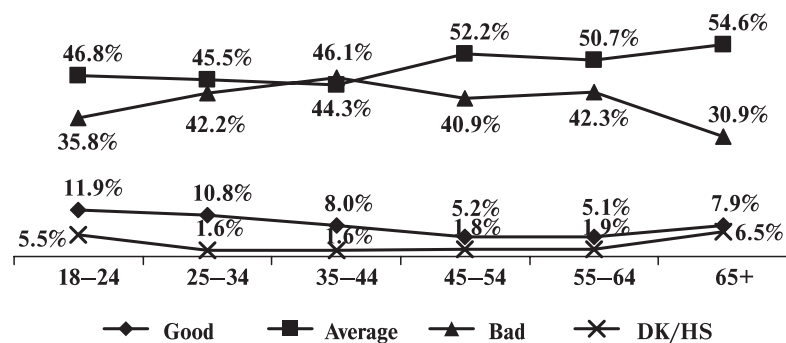
In 2015, the economic mood of the nation was generally worse than in 2014 (see Graph 1). On average, the “bad” position in 2015 was 15% higher than in 2014 (according to a macroeconomic indicator). The average figure for 2014 was 26.9%, and in 2015 – 42.7%.

**Graph 1. How would you assess the current economic situation in your country? %**



Those who have least – i.e. the older layers of society – appeared to show the most positive attitudes towards the economic situation in the country. This is an astonishing effect of value systems at work, the subjectivity of social assessments, and the specifics of the mentality of previous generations, who grew up in the USSR (see Graph 2)

**Graph 2. How would you assess the current economic situation in your country? % (by age)**

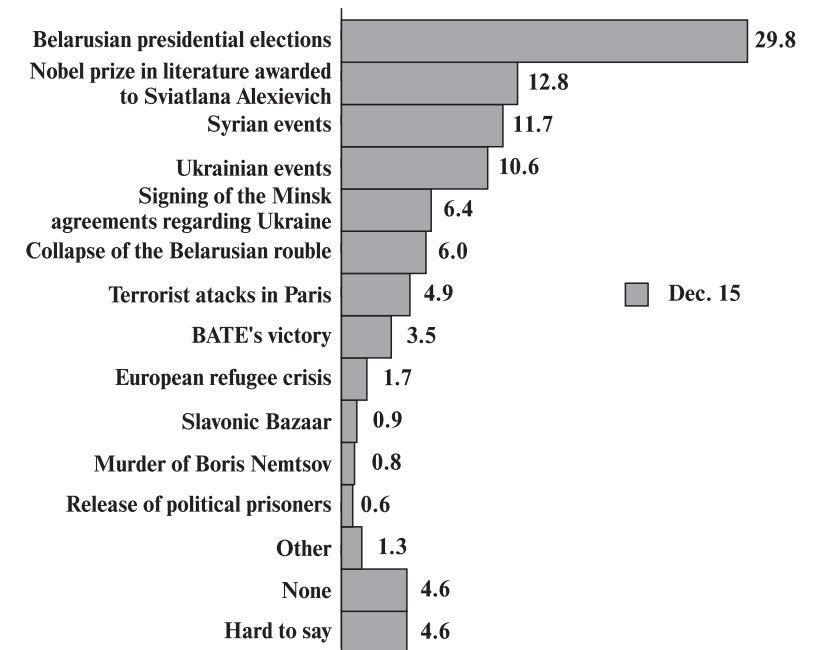


Nevertheless, our empirical data do not reveal any rise in protest moods. The number of respondents who answered “quite likely” to the question “How likely is it now that street protests and demonstrations against price rises and the falling standard of living would take place in your city (region)?” is at the same level as during previous periods.

**The most significant event**

Which event did Belarusians see as the year’s most significant? We drew up a list of events, and respondents could only choose one event which they felt was the most important for the country (see Graph 3). The poll results showed the following hierarchy.

**Graph 3. Which political, sporting, cultural (etc.) event from the past year do you consider was the most significant? %**



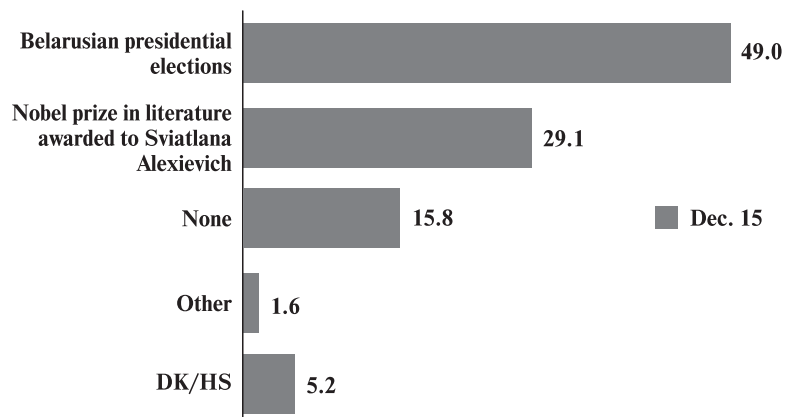
Incidentally, when we asked about the main event without listing options, the overwhelming majority answered “Don’t know/Hard to say”. This fact is interesting not only methodologically, but it also has an important, informative social connotation. People had difficulty in selecting any event above others. There are no events in the country, because people have no involvement in decision-making concerning events. Hence, subjectively, people do not sense that any important events are taking place.

Summing up public discussions on this topic, it is important to mention the following two observations.

1. *Comparing the significance of the presidential elections and the Nobel Prize awarded to Svetlana Alexievich*, the Belarusian democratic community clearly esteemed the first Belarusian Nobel to be a much more important event for the country than the presidential elections. Naturally, there is a reason for this. Yet, the general public chose the presidential elections as the most significant event for the country.

2. *Comparing the significance of the presidential elections and the Ukrainian events*, we have indirect evidence to show that the Ukrainian events were considered more important than the presidential elections. We have been measuring the level of

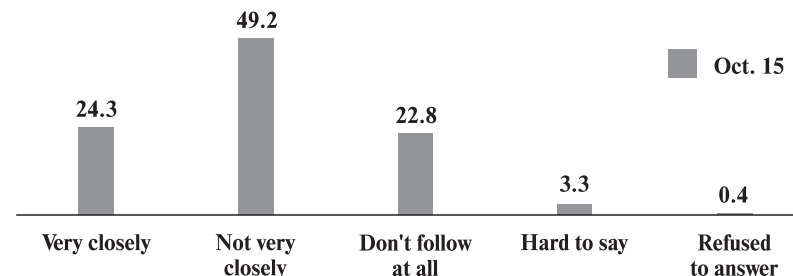
**Graph 4. In your opinion, which event from the past year listed below was more important for Belarus? %**



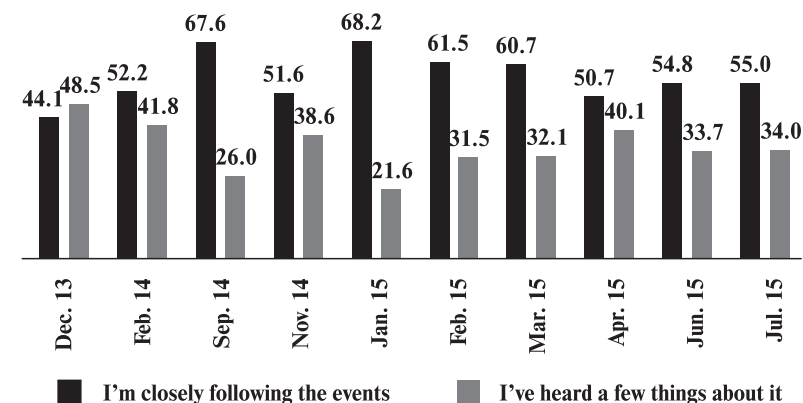
interest in the presidential elections and the Ukrainian events (see Graphs 5 and 6), and registered numerous indicators of the influence of Ukrainian events on all aspects of life in Belarus over the last couple of years, starting in 2013. But when faced with a direct question, people specify the presidential elections as being more important.

Let us examine these *two* aspects in more detail. In *the first case*, concerning the “Presidential elections – Nobel Prize” axis: to adequately compare the significance of these two events as subjectively perceived by the mass consciousness, we have formulated a special question to compare only these two events: “In your opinion, which event from the past year listed below

**Graph 5. Please describe how closely you are following the current presidential election campaign? %**



**Graph 6. Do you follow the events in Ukraine? %**





was more important for Belarus?” (see Graph 4). The result was 49% in favour of the elections, and 29% for the Nobel. Obviously, the ratio in the special questions comparing only those two events ( $49 \div 29 = 1.689$ ) was lower than the ratio for the general question listing all the events ( $29.8 \div 12.8 = 2.328$ ), but it did not alter the ranking.

*The second case* concerns the “Ukrainian events – Belarusian presidential elections” axis. As can be seen from the graphs (see Graphs 5 and 6), the level of interest in the Ukrainian events is higher than in the elections. This is particularly visible in the “closely following” option, which showed 24.2% for the presidential elections, whereas it never fell below 44% in relation to the Ukrainian events.

### Person of the year 2015

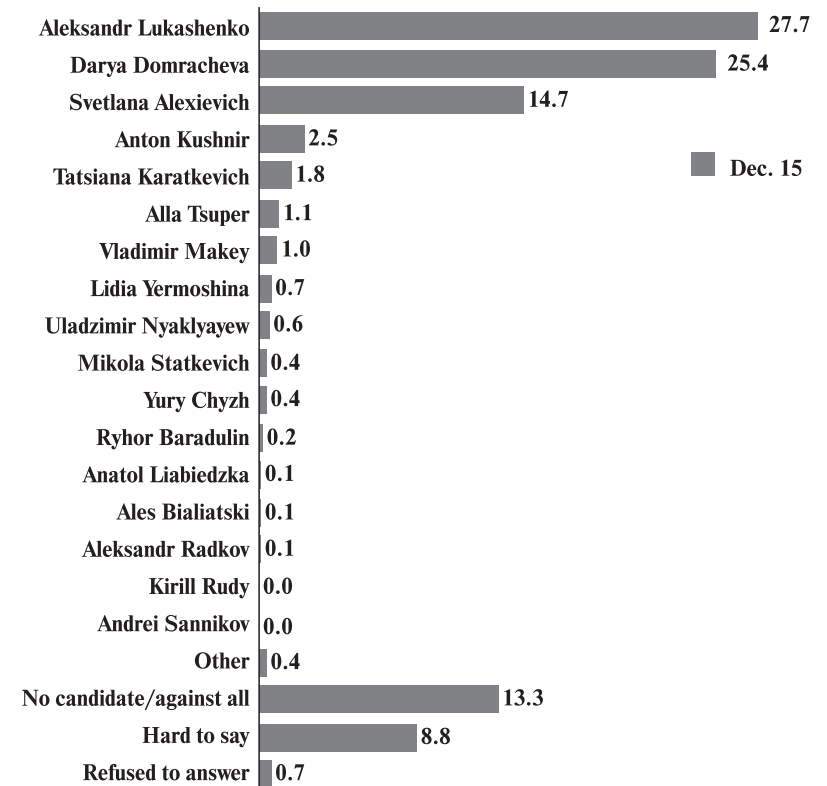
The person of the year for Belarus appeared to be Lukashenko (see Graph 7), which is not surprising. However, Darya Domracheva – a Lukashenko-oriented Belarusian sportswoman extensively promoted by the Belarusian media in 2015 – was hot on his heels (and she took first place in 2014, overtaking Lukashenko). What is surprising is that, in the context of public discourse, the first Belarusian Nobel Prize-winner entered the world’s list of people of the year, as perceived by Belarusians (see Graph 8), taking third place on this world list.

The most impressive graph turned out to be the correlation between attitudes to Alexievich and the respondents’ education level – the significance of the event grew sharply, depending on educational qualifications (see Graph 9).

### A mirage at the end of the tunnel

Compared to the same period in 2014, the situation regarding hope remained practically the same (see Graph 10). However, in December 2015 there were more people who felt hope for the next year than in January 2015, when the Belarusian rouble collapsed. People have got used to the new currency rates, and believe that there is light at the end of the tunnel. But this is an endless tunnel...

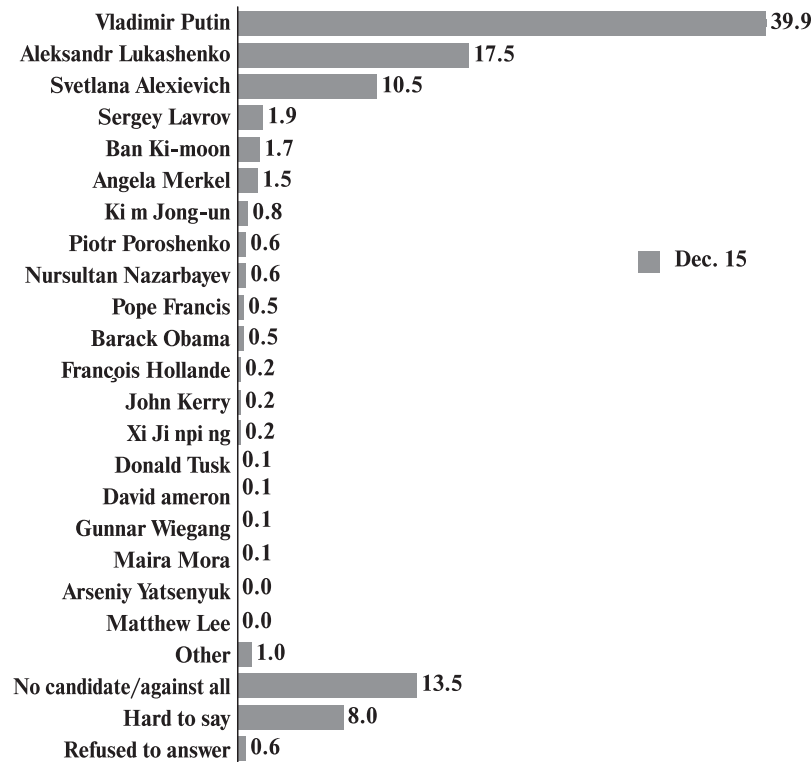
**Graph 7. Who in your opinion could be named person of the year 2015 in our country (Belarus)?**



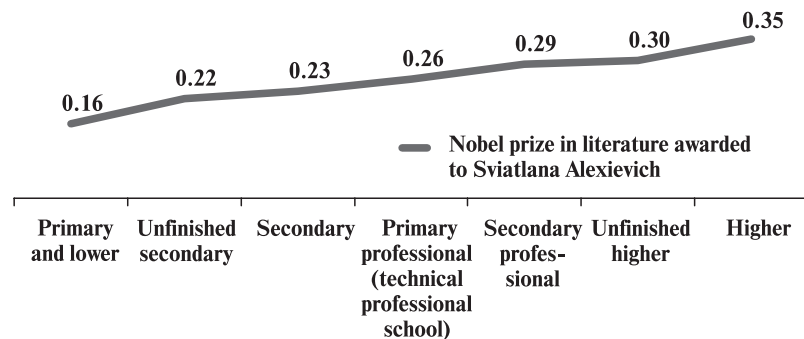
### Geopolitical orientation

Belarusians’ geopolitical orientations in 2015 were distinguished by dominant pro-Russian moods, which spiked during the last couple of months of the year. Pro-Russian moods were exhibited by two-thirds of the population practically throughout the whole year. The only exception was the period July–October, when pro-Russian orientations were falling. This was probably due to decreased coverage of Russian topics by all media, and a comparative lull in the Russian–Ukrainian conflict. Pro-European orientations have never been so low (see Graph 11).

**Graph 8. Who in your opinion could be named person of the year 2015 in the world? %**

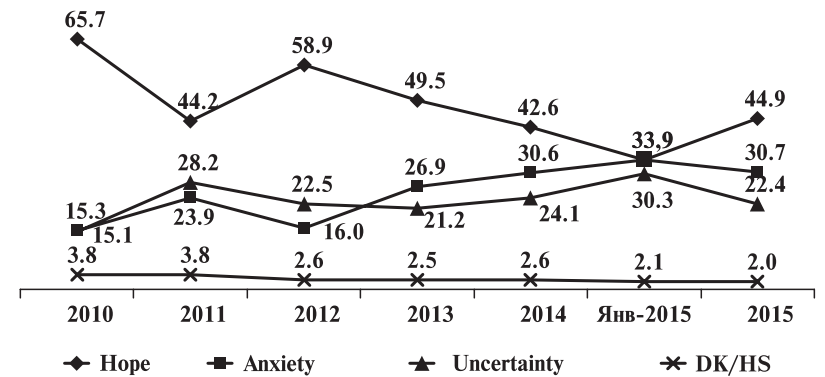


**Graph 9. Who in your opinion could be named person of the year 2015 in the world? (by education)**



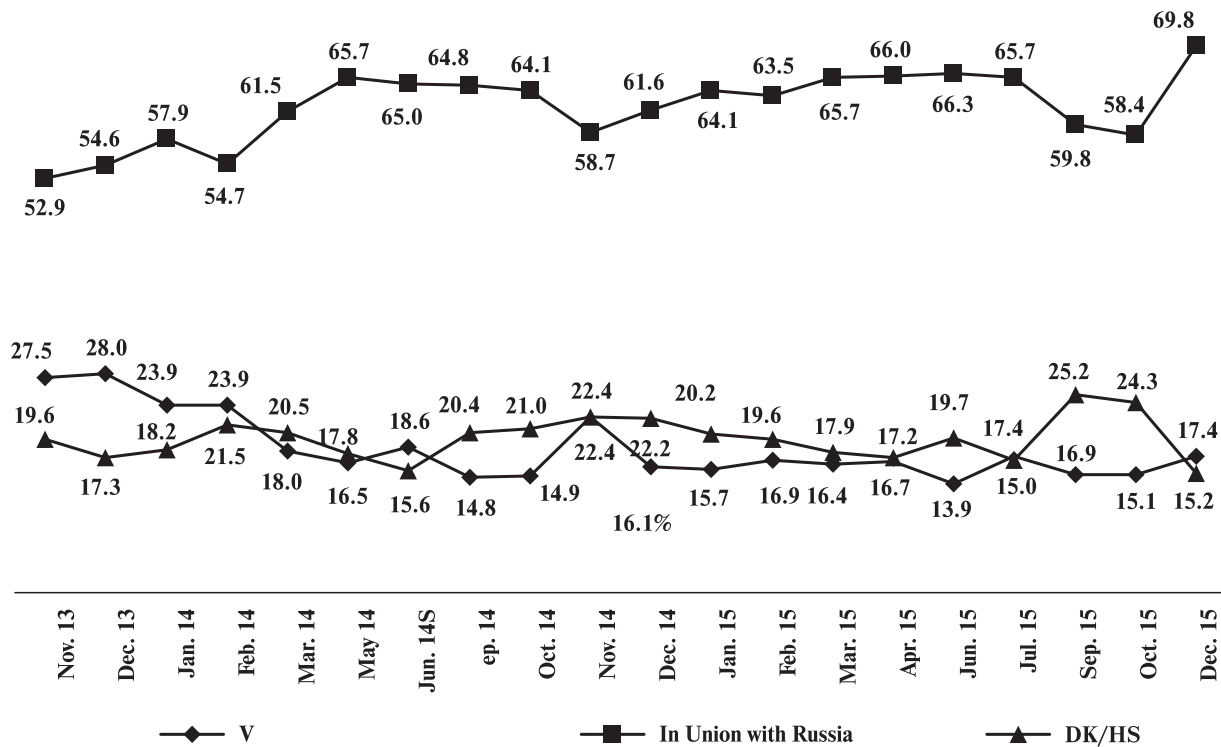
The years preceding the Ukrainian events demonstrated a different geopolitical landscape, with lower pro-Russian and higher pro-European moods.

**Graph 10. What feelings do you experience when thinking about the upcoming year? %**



This is an obvious result of the impact of Russian TV channels, which dominate the Belarusian media space. Official Belarusian media do not promote differing points of view. The Ukrainian TV channels are virtually absent from the Belarusian broadcast market.

Graph 11. In which union do you feel the Belarusian people would live better: the EU, or a union with Russia? %



**ECONOMY**

## MACROECONOMIC SITUATION: DIVING INTO A LONG RECESSION

Dzmitry Kruk

### Summary

The country entered the year 2015 with weak prerequisites for economic expansion. The situation was further aggravated by the new currency crisis, which affected the economy in late 2014 and early 2015. To rule out a major financial meltdown the authorities had to revise their economic policies by imposing additional restraints. A new strategy was developed for the country's monetary policy: the fixed rate was replaced with the floating rate, and the money supply became the new 'nominal anchor.'

The new format of macroeconomic regulation did help neutralize the threat of new financial shocks; however, it pushed Belarus into a deep recession. Throughout the year, the controversy between the objectives of financial stability and stabilization of money issue became increasingly heated. The situation became a reflection of deep seated structural problems in the national economy; however, the authorities never dared embark on institutional reforms. By the end of the year, new challenges to the country's economy became more obvious against the backdrop of the recession, which might take very long, with no prerequisites for growth recovery whatsoever.

### Trends:

- Shift in the currency exchange regime to floating from fixed;
- Restraining economic policies, which helped prevent a new financial crisis, while affecting business;
- Excessive debt burden – both internal and external – on the financial system.

### Introduction

At the very end of 2014 and in early 2015 the Belarusian economy was hit by yet another currency crisis – the country made the same mistake for the *third* time over the past *six* year. The reason behind the new crisis is the deviation of the equilibrium level of the exchange rate from the target set by the economic authorities. This time, however, this deviation was caused by external shocks stemming from the drop in oil prices and sudden depreciation of the Russian ruble, rather than domestic policies encouraging internal demand (as was the case in 2011).

The unexpected depreciation of the Russian ruble can partially exonerate the Belarusian economic authorities; however, it can only provide short-term moral relief. When it comes to the search for instruments to overcome the crisis, the external nature of the shock only worsened the situation. The devaluation move at the start of the year became the first phase of the campaign to adapt to the new external environment. This time, the authorities did not expect the weaker national currency to have any benefits (as it happened in 2011), such as improvements in the price competitiveness of Belarusian products in the main export markets. On the contrary, the demand for Belarusian-made products in Russia and the CIS became weaker (because their respective currencies lost almost the same portion of their value to the basket of foreign currencies as the Belarusian ruble did), whereas lower oil prices affected the balance of trade in energy.

Moreover, the new currency crisis was unfolding amid the ‘compromised immunity’ of the national economy. Even if there had been no external shocks, the list of internal challenges was so long that there was no chance of any substantial growth in 2015.

*First*, the potential for economic growth became weaker. In previous years, structural issues caused *low GDP growth*, but in 2015, they already caused a *contraction in output*. At the end of 2014 and beginning of 2015, the unreformed Belarusian economy hit the development ‘ceiling,’ and the accumulated structural disproportions pulled it downwards.

*Second*, old problems remained in the monetary sector. In 2014, owing to the relatively favorable external situation and targeted exchange rate, the National Bank of Belarus (NBB) managed to reduce interest rates. However, highly unstable inflation and depreciation expectations remained beyond the control of the central bank. Along with the high level of real and financial dollarization, these old problems contributed to uncertainties in the financial market.

*Third*, in early 2015, new concerns appeared over the number and combined amount of debts of the central authorities and the private sector. According to international standards, the level of the state debt remains within the acceptable margins (17.3% of GDP). However, the state budget was clearly affected by the

need to repay and service old debts, which started the trend towards a reduction in budget expenditures.

In the private sector, there were several prerequisites for the deterioration of the quality of debts. During the *decade* of the ‘lending binge’ non-financial companies were actively changing the structure of their capital by increasing the share of borrowed funds. Over the past *ten years*, the equity-assets ratio in the economy decreased to 57.3% from 79.4%. Since 2012, the cost of borrowing in real terms remained very high, resulting in a higher loan burden on companies and erosion of their floating capital.

Furthermore, in 2013–2014, many companies were taking loans in foreign exchange seeking to reduce the debt burden. In many cases, loans in foreign currency were taken by businesses that had no currency receipts. As a result, the quality of debts became dependent on exchange fluctuations.

Therefore, the original prerequisites for economic growth in 2015 were virtually nonexistent. It was apparent that the stagnation of personal incomes and, consequently, expenses and consumption, was unavoidable. Further decreases in external and internal investment demand were also very likely.

Up until the crisis of December 2014 it had been unclear whether GDP would be maintained at its previous level (with minimum growth) or the year 2015 would become the first year in the previous *two decades* to see a setback. The crisis made it obvious that Belarus was in for a recession spell. Two new priorities were added to the agenda: (1) How deep and long will the recession turn to be? and (2) Will the currency crisis evolve into a full-scale financial crisis?

### **New format of macroeconomic policy**

At the turn of 2015, the authorities took administrative measures to address the new currency crisis, including currency restrictions, direct price controls, and new taxes and charges on foreign exchange transactions. However, drawing on the experience of dealing with the financial crisis of 2011, this time the authorities were aware that such measures would eventually contribute to uncertainty and undermine people’s trust, thus disorganizing the entire financial market of the country.



Therefore, the NBB tried more adequate measures to respond to the new economic reality during the first weeks of 2015. In mid-January, the NBB announced a 'revolution' in the country's monetary policy. *First*, the central bank recognized the need to change from the targeted exchange rate policy towards the floating exchange rate model. The NBB will only interfere in the exchange rate formation process to 'extend' the periods of sudden fluctuations.

*Second*, the central bank announced a new nominal 'anchor' of its monetary policy – the broad money supply. The new, targeted money supply regime implied that inflation was a higher priority for the NBB than the exchange rate. In order to ensure the desired inflation level, the NBB undertook to limit the increase in money supply.

The change in the monetary policy regime is a landmark event for the country. The previous regime, based on the targeted exchange rate policy, had been in use since 2003 and was considered by the authorities to be a 'value in itself,' although the commitment to such a regime became one of the reasons behind the financial shocks. Therefore, the change to the floating exchange rate policy seemed a progressive move. By definition, the new regime rules out any gaps between the equilibrium and actual exchange rates (if the regime was applied adequately), such gaps being the main triggers of the previous financial crises. Therefore, the roles of the exchange rate changed for the country: it evolved from the unfortunate 'nominal anchor' into a 'shock absorber.'

Other innovations of the new monetary policy were not as unambiguous for the country. Monetary targeting has *three* major drawbacks. *First*, broad money supply cannot be directly controlled by the National Bank and can be changed by the behavior of economic agents. Therefore, the ability of the central bank to use it as a reliable 'nominal anchor' is doubtful. In 2015, the NBB failed to limit the growth in broad money supply, which increased by 37.2%<sup>1</sup> on average, whereas the limit had originally been set at 30%.

<sup>1</sup> The average annual growth rate of broad money supply (resulting from the increase in the foreign exchange component of broad money supply and depreciation of the ruble, by 56% vis-à-vis the U.S. dollar). In terms of the average monthly expansion of broad money supply, it grew by 40.9% in January–December 2015.

*Second*, this regime almost completely ignores the need to stabilize expectations of economic agents, which is crucial for Belarus, because inflation and depreciation expectations remained virtually uncontrolled by the NBB. The unreliable 'anchor' of broad money supply that cannot really be trusted is unable to contribute to the stabilization of expectations.

*Third*, the willingness to maintain the price stability by way of restraining money supply, especially amid high and volatile inflation expectations, can lead to excessive tightening of the monetary environment and economic activity. In other words, the crude and clumsy instruments and objectives of monetary policy can bring about unforced losses in terms of output.

The final drawback was completely disregarded during the *first few* phases, because the contribution of the new regime to financial stability overshadowed the rest of the objectives of the country's monetary policy. However, as the recession grew deeper, the NBB found itself under increasing pressure from the economy, which called for milder monetary policies.

In 2015, the tight monetary policy was supported by a series of restraints. In their *incomes policy*, the authorities kept the directive peg<sup>2</sup> of wages and salaries to labor productivity. The budget policy of the economic authorities was also aimed at limiting incomes. Budget spending on wages and social security remained virtually unchanged in real terms compared with the year 2014 (an increase by 0.9%), whereas in previous years, the authorities allowed a more substantial increase in wages in the public sector. Wages and salaries were purposefully limited as part of the campaign to make up for the deliberate encouragement of wage pushes and demand in previous years.

Also in 2015, the authorities announced a policy to curb directed lending; however, the volume of such loans that banks extended to industrial companies and farms remained unchanged from 2014 at BYR 27.1 trillion. At the same time, directed loans decreased by 13% in real terms, i.e. adjusted for inflation, and the amount of preferential home loans almost *halved* even in nominal terms.

<sup>2</sup> This practice was introduced in the second half of 2014 (Resolution of the Council of Ministers No. 744 of 31 July 2014).

On the other hand, the Development Bank of the Republic of Belarus was providing increasing amounts of directed loans – up by 65% in nominal terms and 45% in real terms – accounting for 22% of the overall amount of directed loans provided in Belarus in 2015. The amount of directed loans extended in 2015 remained almost unchanged from the year 2014 in nominal terms, whereas the decrease in real terms was proportional to consumer inflation. The procedure for giving and taking such loans changed very little: money was simply given to borrowers from approved lists.

However, even those slight restrictions on access to directed loans markedly affected many state-controlled enterprises. Mechanical engineering and woodworking enterprises became increasingly dependent on the refinancing of old loans. In order to improve their financial position, the government took an extraordinary step: the Finance Ministry de facto purchased from banks the debts of some engineering and woodworking companies in exchange for state bonds, and the original debts of state-run enterprises were restructured and extended. The ministry used the scheme to purchase and restructure more than USD 1.5 billion<sup>3</sup> worth of debts.

The ministry thus addressed *two* challenges: (a) it supported major manufacturers and helped maintain the number of jobs and (b) dealt with the trend towards the worsening of the quality of assets in the banking sector. The effectiveness of this policy will depend on whether beneficiaries will be able to restore their capacity to pay in the future. The Finance Ministry essentially put its own payment capacity at risk in the foreseeable future by putting all its ‘money’ on its borrowers’ ability to regain their capacity to pay soon enough.

Another important innovation in the state’s fiscal policy is the new limitation on the government’s capital expenditure. Although consolidated budget revenues have substantially increased (mostly due to the transfer of oil duties to the Belarusian, not Russian, budget, starting in 2015), the Finance Ministry is looking to limit budget spending and channel excessive revenues into the repayment of old debts. The most

<sup>3</sup> Most foreign exchange-denominated debts were restructured.

affected article was ‘capital expenditure,’ which was slashed by 15.9% in nominal terms, or by 0.5 of a percentage point of GDP.

None of the above monetary policy innovations were voluntary, and all of them caused serious changes in the macroeconomic dynamics.

### Decay amid recession

The new format of the country’s economic policy introduced dramatic changes to the conventional picture of the Belarusian economy. In previous years, it looked like this: a substantial foreign trade deficit, overstated exchange rate, high inflation, low unemployment, GDP growth (albeit slower during the last few years). In 2015, the picture changed, with the external deficit at approximately 3% of GDP<sup>4</sup>, the actual exchange rate corresponding to the equilibrium rate, inflation growing slower, *decline in employment, and growth of unemployment, amid GDP decline.*

The economic authorities focused on the *first three* attributes, treating them as achievements of the new economic policy, which contributed to financial stability. Growth of unemployment and decrease in GDP was often characterized as a brief ‘cleansing procedure,’ which would not threaten the macroeconomic stability.<sup>5</sup> However, it became clear in summer that the limitations would not be cancelled soon for fear of new financial shocks.

At the same time, these restrictive measures cause a deeper economic downturn, further growth of unemployment, and give rise to new threats. Therefore, the primary objective of maintaining the macroeconomic stability was soon forgotten, and the concept of the brief ‘purging setback’ was in stark contrast with the reality. GDP behavior and other economic

<sup>4</sup> Which is close to the ‘normal’ level that is identified based upon the long-term ratio of savings to investments.

<sup>5</sup> The traditional interpretation of macroeconomic stability implies low inflation, full employment, and financial stability. It is therefore wrong to apply the term ‘macroeconomic stability’ to the situation in Belarus in 2015 (deep recession and growth of unemployment), although the economic authorities made use of the term to characterize the status of the national economy.

indicators increasingly implied that the country had entered a long period of recession.

Below are the main reasons behind the deeper economic slump.

### *(1) Worsening environment for long-term growth*

Being well aware that even with no external shocks the Belarusian economy is lacking the foundation for long-term growth, companies became less inclined to invest. The problem, along with high interest rates in the money market, brought about a serious depression of investment demand.

At the start of the year, experts shared their expectations that some progress would finally be made in terms of long overdue institutional reforms. The recession, which was largely a result of structural challenges, could become a proper backdrop for reforms. The least that experts believed the state would do is remove some of the critical obstacles to the development of the national economy, including (i) the priority right of state enterprises to access capital; (ii) artificial support for state enterprises to help them survive; (iii) state property management mechanisms; (iv) insufficient flexibility of the labor market; (v) flawed social protection instruments for the unemployed.

In the first half of the year, the authorities were giving clear signals that such reforms were reasonable and acceptable and would soon be put in place. A draft 'roadmap' of structural reforms was developed in association with the World Bank. The authorities received the document as the basic framework to negotiate a new loan program with the IMF. However, the Fund's additional proposals that were aimed to make the reform irreversible put the negotiations in limbo.

A little later it turned out that there was no political will to introduce reforms. After the presidential election Aliaksandr Lukashenka sent a personal message making it clear that no dramatic changes would be taking place in the operation of the national economy. By the end of 2015 discussions about the need for systemic reforms had run out of steam.

At the same time, some forced measures, such as increases in transport fares at the end of the year, were interpreted by

the authorities as structural reforms. The list of arrangements that can partially be qualified as structural reforms included only the abovementioned limitation on directed lending, as well as the government's strategy to reform the system of state finance.<sup>6</sup>

At the same time, in 2015, a new trend was observed that can be characterized as 'self-made reforms.' Since the economic authorities were unable to provide broad support for non-financial enterprises and maintain a lending boom in the economy, many companies had to initiate bankruptcy procedures on their own or have their lenders do it. In 2015, the number of bankruptcy cases filed with economic courts increased by 25% year-on-year. At the end of the year, the share of state enterprises among potential bankruptcies remained relatively small; however, the list included several major state manufacturers, which are subject to the bankruptcy 'taboo' in the next few years.

### *(2) Legacy of past mistakes of Belarus's economic policy*

Although the new monetary policy regime meets the needs of the country's economy more effectively than the old one, the problem of high inflation and depreciation expectations that cannot be controlled by the NBB still remains. Last year, the problem of the lack of trust in the NBB was aggravated by the low level of gold and foreign exchange reserves<sup>7</sup>, as well as insufficient autonomy of the bank in implementing its policies. Throughout the year, experts discussed the possibility for the central bank to mitigate its policies, which was mostly lobbied by non-financial state enterprises. Being faced with this dilemma – the threat of new financial shocks and further decrease in GDP – the NBB decided to focus on the *former* and

<sup>6</sup> Resolution of the Council of Ministers No. 1080 of 23.12.2015. The document notably contains no direct action measures, but postulates objectives of future activities without mentioning any guarantees that could help achieve the declared objectives.

<sup>7</sup> A substantial portion of reserves was spent on attempts to prevent the currency crisis of December 2014. Furthermore, reserves were additionally spent to make repayments of debts denominated in foreign exchange (both internal and external).

pursued a rigid and consistently restrictive policy, which further discouraged business activity.<sup>8</sup>

### (3) Poorer quality of debts

The loan debt burden on companies that had grown a lot heavier in previous years affected the quality of debts amid the recession and ruble depreciation. *First*, the practice of directed distribution of resources should be blamed, as state-run enterprises were spending money on ineffective projects. The reduction in internal and external demand became an additional catalyst for problems with debt servicing by such enterprises. *Second*, the drop in demand made the quality of debts an increasingly important issue for ‘market’ borrowers, whose business model proved to be ineffective in the new environment. *Third*, due to the significant depreciation of the national currency in 2015 (by 37.6% to the basket of currencies), debt holders who had originally borrowed in foreign exchange and had no (or very few) sources of revenues in foreign currency also reported problems with debt servicing.

The deterioration in the quality of debts in the economy became another prerequisite for further economic decline. *First*, the companies that encountered problems in servicing old debts give up on their investment plans. If their frugality fails to stabilize the situation, they will have to cut costs as much as possible and even consider phasing down their activities. *Second*, the problem produced a proportional impact on the banking sector. Seeing the expanding share of troubled loans, banks are forced to create reserves to cover possible losses, which affects their capacity to lend. As a result, *both* channels cause a deeper economic slump.

The economy needs time to ‘digest’ the said factors. Therefore, by the end of the year, when these factors became even more apparent, the hopes of ‘fast cleansing procedure’ and recovery had been exhausted. The recession factors are obviously too strong and stable.

<sup>8</sup> As a rule, in conditions of a recession, central banks seek to pursue milder policies to encourage business activity.

### Change in macroeconomic indicators

Statistically, the year 2015 became the worst one in the past *two decades*. GDP fell by 3.9% year-on-year. In terms of demand, capital formation was affected the worst and dropped by 15.9% (negative contribution to GDP growth – 5.9 percentage points), which demonstrates the depressed nature of investment demand. Consumption expenditures by households and state organizations fell by 2.4% (negative contribution to GDP growth – 1.6 percentage points).

The only component that made a positive contribution to GDP – 5.3 percentage points – is external demand (net export). The positive effect of net export can be attributed to the fact that import in volume terms dropped faster than export did due to the floating exchange rate and reduction in both investment and consumer demand.

In terms of supply, all of the major industries showed a decrease in gross value added. In construction, output fell by 9.5% from the 2014 level (due to the fall in investment demand and limitations on concessional home loans). The manufacturing sector reported a 6.2% contraction in output (caused by debt problems and lower external demand). Retail was supported by the gradual adaptation of the consumption model to the new economic reality and showed the least decrease in output of all sectors, by 1.6%.

In 2015, wages dropped in real terms by 3.1%, and real disposable incomes decreased by 5.6%. Growth of unemployment became a new important characteristic for the economic status of households. Official unemployment statistics (1.1%) only cover registered unemployed individuals and cannot shed light on the real scope of the problem. The faster decline in employment can be used as an indirect indicator of the explosive growth of unemployment: the number of jobholders fell by 80,500 people in the period from December 2014 to December 2015.<sup>9</sup>

In foreign trade, Belarus reported a surplus for goods and services for the first time in many years (USD 174.3 million).

<sup>9</sup> The reduction in employment does not mean that the number of jobless Belarusians increased by the same amount.



This result can be attributed to the depreciation of the national currency and the ongoing recession. Nevertheless, the surplus of foreign trade cannot be treated as an unequivocally positive outcome. The substantial decrease in import (which dropped faster than export did) can be treated as a ‘cleansing procedure.’ However, on the other hand, the fall in import supplies can have negative consequences and become an obstacle to the domestic production of goods and services, which ‘service’ import deliveries.<sup>10</sup>

In the monetary sector, the results of the year 2015 were not unambiguous, either. On the one hand, the NBB managed to prevent a full-scale financial crisis. Moreover, the average annual inflation rate slowed (owing to the NBB’s efforts and fall in GDP) to 13.5%, which is quite acceptable by Belarusian standards. The significant depreciation of the national currency (by 37.6% to the basket and 56% to the U.S. dollar) was mostly caused by external shocks and did not result in major financial shocks.

On the other hand, the growing share of troubled loans became an increasingly serious reason for concerns in the banking sector; and many had doubts about the stability of banks in the new economic reality. Further, uncertainty remained in financial markets, which, along with the lack of trust in the official monetary policy, further increased the country’s vulnerability to financial shocks.

In 2015, Belarus’s gross external debt in absolute terms went down by USD 1.8 billion. However, because of the drop in GDP in the U.S. dollar equivalent the relative indicators of the debt hiked: the gross external debt to GDP ratio increased to 69.7% from 52.8%, and government external debt to GDP ratio went up to 23.6% from 17.3%. This rate of change suggests that the stability of foreign debt will become an important issue in years to come.

## Conclusion

2015 became the year of payback for the reluctance of the authorities to adapt the national economy to the changing

environment. Structural weaknesses were aggravated by large-scale external shocks, which brought the economy into a deep recession. The economic authorities had to respond, but the only change was the revision of the format of their macroeconomic policy, whereas when it came to institutional reforms, no practical steps were made whatsoever. The hope that those scarce measures would be sufficient to recover from the slump never came true.

The few positive effects of the innovations in the country’s macroeconomic policy did not have enough capacity to effectively address the persistent structural shortages. Further, the old economic policy mistakes became a serious obstacle. As a result, the ‘controlled recession’ did not turn into a ‘cleansing procedure’ for the economy. On the contrary: the backdrop of the recession uncovered some new sensitive spots of the Belarusian economy: the fast growth in distressed assets in the banking sector and heavy burden of foreign debts (including the government debt). These challenges threaten the national economy with a ‘recession spiral,’ which will either make the recovery long and painful in the best-case scenario or further deepen the economic setback in the worst-case scenario.

<sup>10</sup> By analogy with the ‘sudden stop’ of capital flows.



## MONEY MARKET: UNDER PRESSURE OF THE OIL FACTOR AND DEBT BURDEN

Alexandr Mukha

### Summary

In 2015, the drop in global prices of crude and refined oil amid significant foreign debt payments by Belarusian residents had a profound negative impact on the performance of the country's money market. Seeking to alleviate foreign economic shocks the National Bank of Belarus shifted towards a more flexible exchange rate regime. In 2016, the central bank will maintain the strategy of the undervalued real effective exchange rate of the Belarusian ruble against the basket of currencies of the main trade partners with a view to encouraging the export of Belarusian goods and services while restraining imports.

The ruble redenomination announcement and Decree No. 7 of 11 November 2015 brought about even stronger devaluation expectations and pushed the demand for foreign exchange. The dollarization of individual bank deposits reached a new high in the history of contemporary Belarus.

### Trends:

- Obvious negative impact of changes in the global oil price on Belarus's economic dynamics;
- Plunge in the export of Belarusian goods and services and currency receipts from Russia in the U.S. dollar equivalent;
- National Bank's shift to a more flexible exchange rate for the Belarusian ruble amid scarce gold and foreign exchange reserves;
- Outflows of individual foreign exchange deposits that may cause a deficit of currency liquidity in the banking sector.

### Impact of the oil factor

Last year, the drop in prices of crude oil and oil products produced a massive negative impact – both direct and indirect – on Belarus's economic performance. According to our estimates, the fall in the export of Belarusian refined and crude oil accounted for 38% of the overall decrease in Belarus's commodity export last year. However, the reduction in Belarusian export supplies to Russia in 2015 (other than oil products) accounts for an additional 43.6% of the total export drop.

Statistics<sup>1</sup> make it clear that the main reason behind the reduction in Belarusian commodity export in 2015, as against 2014, was the drop in oil prices:

- Belarusian commodity export – minus USD 9.395 billion year on-year in 2015;
- Export of oil products – minus USD 3.022 billion;
- Export of crude oil, including condensed gas – minus USD 544.956 million;
- Export of goods to Russia (exclusive of refined oil) – minus USD 4.1 billion.

Of the overall drop in export supplies by USD 9.4 billion in 2015 from the level reported in 2014, the reduction in oil prices accounted for USD 7.7 billion, meaning that the 'oil' factor should be blamed for 81.6% of the total curtailment of the country's export proceeds. Specifically, Russia's current economic troubles – the economic slowdown and the depreciation of the Russian ruble – are associated primarily with low oil prices, along with the economic sanctions imposed by the West. As a result, Belarus suffers from a *double* negative impact of low prices of crude and refined oil: 1) a direct effect of decreasing revenues from foreign deliveries of crude and refined oil; and 2) a indirect (and bigger in value terms) effect associated with the decrease in Russia's demand for Belarusian-made goods and profitability of Belarusian export (due to the sharp depreciation of the Russian ruble).

In 2015, Russia accounted for 38.9% of Belarus's export supplies. According to our estimates, Russia's share in Belarus's overall export deliveries (exclusive of oil products, crude oil, and potash fertilizers) reached 60.2% (and 80%–90% for some commodity items).

According to the National Bank, last year's currency proceeds generated by commodity and service exports, incomes and transfers of nonfinancial companies and households fell by 23.4% from 2014, or by USD 10.068 billion to USD 33.024 billion, a new record low from 2010 (USD 29.746 billion).<sup>2</sup>

<sup>1</sup> Here and below: "Official statistics." *National Statistical Committee of the Republic of Belarus*. Web. 5 Apr. 2016. <<http://www.belstat.gov.by/en/ofitsialnaya-statistika/>>.

<sup>2</sup> Here and below: "Statistics." *National Bank of the Republic of Belarus*. Web. 5 Apr. 2016. <<http://www.nbrb.by/engl/>>.

The share of the Russian ruble in the structure of currency proceeds of nonfinancial companies and households (proceeds associated with flows of goods, services, incomes, and transfers) decreased from 37.7% in 2014 to 33.7% in 2015. The share of the U.S. dollar went up to 26.8% from 23.3%, the share of the euro edged down to 36.6% from 37%, and the Belarusian ruble accounted for 1.4%, up from 1.1%. The share of other currencies increased to 1.5% of currency proceeds in 2015 from 0.9% in 2014.

In 2015, Russia paid Russian rubles for 83.6% of imports from Belarus, whereas 1.3% of import deliveries were paid for in Belarusian rubles, 10.3% in U.S. dollars, 4.3% in euros, and 0.5% in other currencies. The share of the Russian ruble in the structure of payments by nonfinancial companies and households for imported goods and services, as well as for incomes and transfers, increased from 36.8% in 2014 to 45% in 2015. The share of the U.S. dollar went down to 27.8% from 33.5%, the share of the euro shrank to 25.6% from 28.2%, and the share of the Belarusian ruble and other currencies remained unchanged at 0.9% and 0.7%, respectively.

In 2015, Belarus paid Russian rubles for 75.9% of Russian supplies, whereas 1% of imports from Russia was paid for in Belarusian rubles, 16.1% in U.S. dollars and 7% in euros. The increase in the share of the Russian ruble was due to the change to payments for Russian gas and oil to Russian rubles.

Overall, in 2015, currency payments for goods, services, incomes, and transfers by nonfinancial companies and households decreased by USD 10.419 billion (or by 25.6%) to USD 30.356 billion. As a result, the balance of current foreign economic operations associated with flows of goods, services, incomes, and transfers reversed from a deficit of USD 642.4 million in 2014 to a surplus of USD 2.668 billion. In other words, during the period under review, the balance showed an improvement by USD 3.31 billion in absolute terms.

The inclusion of export customs duties on crude and refined oil (approximately USD 1.4 billion) in the Belarusian budget beginning January 2015 significantly contributed to the surplus of current foreign economic operations, along with the substantial reduction in currency payments.

## Money market

According to the National Bank of Belarus, sales of foreign exchange by households exceeded purchases by USD 129.6 million (including cashless transactions) in 2015, sales by non-residents exceeded purchases by USD 227.2 million, whereas purchases by companies were USD 403.8 million above sales last year. The structure of net supply of foreign exchange by households looks the following way: net sales of foreign exchange – USD 970.1 million, and net conversion of ruble-denominated deposits into foreign exchange – minus USD 840.5 million.

The change to continuous order matching from the fixing trading regime at the Belarusian Currency and Stock Exchange contributed to the flexibility of the exchange rate of the Belarusian ruble vis-à-vis the main foreign currencies. At the same time, one of the disadvantages of the new currency regime is the limited time for a trading session and narrowing of the exchange currency market to currency sale/purchase deals within the framework of mandatory currency surrender. The remaining types of transactions with foreign exchange were moved to the OTC market. The new terms of currency trade thus affected companies' capacity to sell/buy foreign exchange on the domestic money-market.

The redenomination move announced by Presidential Decree No. 7 of 11 November 2015 resulted in stronger depreciation expectations in the economy and marked increase in demand for foreign exchange (including in the cashless segment of the domestic money market). As a result, the Belarusian ruble depreciated vis-à-vis the main foreign currencies. Furthermore, given the new rules in the deposit market (introduction starting 1 April 2016 of taxes on interest incomes – applicable to foreign exchange deposits for a term of less than *24 months* – and reduction in rates on revocable deposits), there is a risk of outflows of personal deposits denominated in foreign currency from commercial banks and deficit of currency liquidity in the banking sector.

In this context, banks can cut their contributions to the country's gold and foreign exchange reserves, which means the

central bank will have a lower amount of liquid reserve assets. Belarus's IMF SDDS foreign exchange reserves are notably formed with an extensive use of foreign exchange attracted from commercial banks, which account for an estimated 69.8% of the total. As of 1 March 2016, the National Bank's currency obligations to the banking sector stood at USD 2.868 billion.

Importantly, Belarus is one of the region's and world's leaders in terms of dollarization of personal deposits denominated in foreign exchange. By 1 March 2016, the share of foreign exchange deposits in the overall structure of personal deposits had reached 82.3%, a new record high in the history of contemporary Belarus. According to our estimates, the proportion of ruble-denominated deposits was at 17.7%.

### Debt burden

In 2015, the increase in debt service payments of Belarusian residents (companies, banks, government, and central bank) resulted in more pressure on the domestic money market, hence further depreciation of the national currency.

According to the NBB, in 2015, the foreign debt of Belarusian residents dropped by USD 1.749 billion (by 4.4%) to USD 38.275 billion as of 1 January 2016, a new record high of 69.7% of the country's GDP. The relative ratio of the foreign debt of Belarus's residents therefore exceeded the economic security threshold (at 60% of GDP). Belarusian residents had never been under such debt pressure.

As a result, payments to service the foreign debt become a serious challenge for the state, companies, and banks. An additional problem is that amid the fall in transfers of export duties on oil products to the state budget (the entire amount of these receipts is used to repay and service the foreign debt) the government has been forced to cut some state expenditures in order to be able to make foreign debt payments in full and on a timely basis.

However, it should be noted that in this case, the total debt burden on the state is associated with the service and repayments by the state authorities, monetary authorities, commercial banks and companies, in which the state owns more than 50%. In 2015,

the foreign debt of the public sector (the extended definition) and the foreign debt of the private sector secured by the state decreased by USD 161.5 million (0.7%) to USD 23.05 billion as of 1 January 2016, which accounted for 60.2% of the total foreign debt of Belarus's residents.

Residents' short-term external debt obligations (based on their remaining maturity) went down by USD 2.901 billion (13.6%) to USD 18.409 billion as of 1 January 2016. These obligations are measured by adding the amount of unpaid short-term foreign debt to the amount of unpaid long-term foreign debt maturing within 12 months (based on its original maturity).

In 2016, residents' foreign debt payments are estimated at USD 19.314 billion (including debt refinancing operations). As of 1 January 2016, Belarus's gold and foreign exchange reserves were at USD 4.176, enough to cover only 21.6% of debt payments. At the same time, according to the Guidotti rule, a country's gold and foreign exchange reserves should cover at least 100% of the upcoming annual payments for all of that country's residents' foreign debts (government, central bank, companies, and banks).

Belarus believes it will be able to fill the gap by making use of a loan from the Eurasian Fund for Stabilization and Development (USD 1 billion), placing a third issue of its Eurobond (up to USD 1 billion), and selling state-owned assets. In this case, the monetary authorities will be able to increase gold and foreign exchange reserves, improve adequacy indicators for reserve assets and reduce expectations of further depreciation in the economy.

At the same time, a new loan program with the IMF looks quite unlikely because of certain political barriers and the Fund's own potential problems (due to troubled borrowers). Specifically, in March–December 2016, borrowers are expected to pay the IMF USD 6.133 billion<sup>3</sup>, which includes payments by Greece – USD 3.433 billion, Portugal – USD 499.2 million, Sri Lanka – USD 313 million, Jordan – USD 247.2 million, and Ukraine – USD 158.1 million.

<sup>3</sup> Here and below: "Data." *International Monetary Fund*. Web. 5. Apr. 2016. <<http://www.imf.org>>.

Further, by 31 March 2016, the IMF had allocated USD 109.313 billion within the framework of *fifteen* loan agreements to finance programs in other countries (including USD 10.735 to finance an EFF program in Ukraine). As of 1 April 2016, the combined outstanding debt to the IMF was at USD 77.25 billion, including Portugal – USD 20.827 billion, Greece – USD 16.439 billion, Ukraine – USD 10.851 billion, Pakistan – USD 5.58 billion, Ireland – USD 5.316 billion, Jordan – USD 1.832 billion, Tunisia – USD 1.413 billion, Iraq – USD 1.256 billion, and Cyprus – USD 1.116 billion.

### Conclusions

According to our estimates, as soon as the proportion of personal deposits denominated in foreign exchange exceeds 85%, the pressure on the exchange rate of the ruble will substantially decrease, because ruble deposits of households will be formed by transferable deposits (including card accounts) and time deposits of the conservative part of the population (such as pensioners and residents of regions). Therefore, the conversion of ruble deposits into foreign exchange deposits will slow, and the ruble will have prerequisites for growing stronger (all other things being equal).

The more so because in 2016, households' capacity to buy foreign exchange in the market for cash foreign currencies will be narrowing due to the anticipated stagnation of the real incomes of the population (i.e. given the annual consumer inflation rate) amid growing unemployment and forced underemployment of Belarusian workers. Further, this year, the monetary authorities will be looking for ways to restrain depreciation and inflationary processes in the economy through the use of monetary targeting regime, implementation of the state budget with a surplus and other available instruments.

In 2016, the authorities will likely devalue the ruble against the U.S. dollar faster than their Russian counterparts devalue the Russian ruble (by 3 to 7 percentage points) in order to offer Belarusian exporters an additional price-based competitive advantage in the Russian market. In this case, the National Bank may continue devaluing the Belarusian ruble vis- -vis the

Russian ruble towards the BYR 300–310 range. However, such a move would result in rising prices of Russian-made goods in the Belarusian market.

After all, this year, the National Bank will stick to the tactics of the undervalued real effective exchange rate of the Belarusian ruble in order to encourage the export of Belarusian goods and services to foreign markets while limiting foreign imports of goods and services.

## LABOR MARKET AND SOCIAL SECURITY: WHO BEARS THE BURDEN OF THE ECONOMIC DOWNTURN?

Uladzimir Valetka

### Summary

In 2015, the natural population decline was further reduced in Belarus, and net migration gain further increased; however, those two trends were not enough to stop the reduction of the workforce and the decrease in employment. Structural problems in the labor market still remain unresolved and will continue limiting the increase in the contribution of human capital to economic growth. Wages went down for the first time ever; however, employers' unit labor costs decrease slower than labor productivity.

Social aid was intensified amid the recession; however, the welfare system is not designed to work in conditions of economic contraction, and the coverage and targeting accuracy of social programs in the least well-off quantile dropped, while poverty in rural areas was reported to have increased.

### Trends:

- Reduction in the workforce and ageing of the employed population;
- Slower creation of new jobs;
- High labor turnover and 'brain drain';
- Slower reduction in labor costs compared with labor productivity, which may affect competitiveness;
- Increase in the pension age due to the deficit of the Social Security Fund;
- Failure of social programs to meet the new requirements of the economy in a recession.

### Population

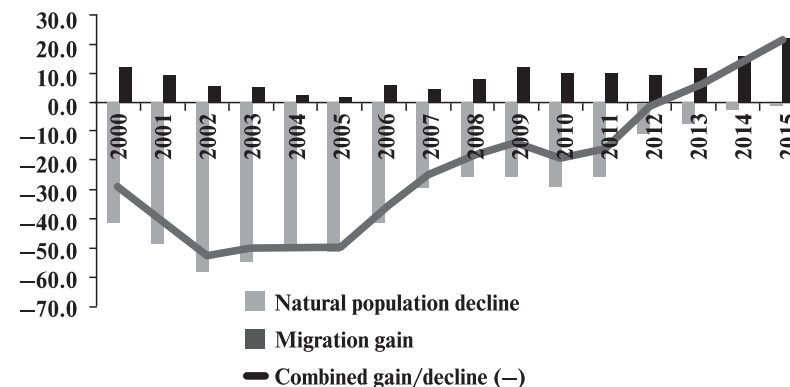
In 2015, the natural population decline was estimated at 621 people (Figure 1), which compares with 2,387 people in 2014.

In 2015, 119,509 babies were born in Belarus, and 120,230 people died. Belarus's population reached 9,498,400 people at the end of 2015, up from 9,480,900 at the start of the year (an increase by 18,500 people).<sup>1</sup> Rural population decreased by

<sup>1</sup> «Численность населения на 1 января по областям Республики Беларусь.» *Национальный статистический комитет Республики*

27,600 people, to 2,128,300 people from 2,155,900 people. As in 2014, population decreased in all regions, except for the city of Minsk (up by 20,000 people) and the Minsk Region (up by 10,000 people).

**Figure 1. Change in components of population growth in 2000–2015, thousand people**



Net migration gain amounted to 18,500 people in 2015 — it made up for the natural population loss, and ensured an increase in Belarus's population by 18,000 people.

Belarus's workforce kept decreasing, though: by more than 60,000 people in 2015. The decline is due to demographic factors that were analyzed in the previous issues of *Belarusian Yearbook*.<sup>2</sup>

The country's demography policy still focuses on families with children: an additional 172,000 families received childcare allowances for children aged from 3 to 18, provided they have a child or children younger than 3 years of age. The family capital program was launched, envisaging the crediting of USD 10,000 to a deposit account of a family, where a third and subsequent

*Беларусь*. Web. 14 May 2016. <[http://www.belstat.gov.by/ofitsialnaya-statistika/ssrd-mvf\\_2/natsionalnaya-stranitsa-svodnyh-dannyh/nasele-nie\\_6/dinamika-chislennosti-naseleniya/index.php](http://www.belstat.gov.by/ofitsialnaya-statistika/ssrd-mvf_2/natsionalnaya-stranitsa-svodnyh-dannyh/nasele-nie_6/dinamika-chislennosti-naseleniya/index.php)>.

<sup>2</sup> See "Bearisian Yearbook 2014." *NMNby.eu*. Web. 14 May. 2016. <<http://nmnby.eu/yearbook/2014/en/page25.html>>.



child is born.<sup>3</sup> In the first three quarters of 2015, USD 68 million was credited to parents' accounts.

### Labor market

In 2015, Belarus's workforce averaged 4,482,600 people, down by 1.5% from 2014. According to *Belstat*, the country's workforce decreased by 61,200 people in 2015, to 4,470,000 people in December 2015.<sup>4</sup> Official unemployment remains low, at 1% of the economically active population (up from 0.5% in 2014). In late 2015, there were 46,000 officially unemployed people in the country. Last year, BYR 40 billion was spent on unemployment benefits, or 0.005% of GDP, some 80 times less than the average for transition economies.

The systemic 'bottlenecks' of the labor market observed in 2015 include.

1. *Passive redundancy policy and excessive employment.* Starting from mid-2015, some 80,000–120,000 workers were on forced leaves or worked shorter weeks due to the drop in demand in the Russian market. Many state enterprises are supported as last resort employers. This strategy alleviates the short-term negative consequences of the growth of unemployment; however, the policy of supporting jobs, not workers, disrupts the logic of the dependence of demand for labor on demand for products and undermines the foundation for anticipated productivity gain. Productivity shrank faster in 2015 than labor costs fell (see Figure 2).

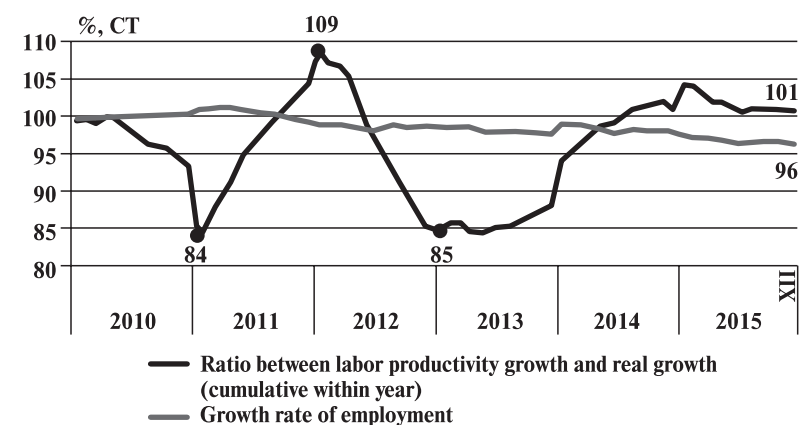
The burden of hidden unemployment was passed on from job centers to employers (unlike unemployment benefits, severance pays were relatively high, compared with elsewhere in the region). Efforts to restructure ineffective enterprises are

<sup>3</sup> «Семейный капитал в Беларуси: Сколько, когда, в какой валюте и кто может рассчитывать на выплаты.» *Mojazarplata.by*. Web. 14 May. 2016. <<http://mojazarplata.by/main/rabota-i-prava/semeny-kapital>>.

<sup>4</sup> «Динамика численности экономически активного населения.» *Национальный статистический комитет Республики Беларусь*. Web. 14 May. 2016. <[http://www.belstat.gov.by/ofitsialnaya-statistika/ssrd-mvf\\_2/natsionalnaya-stranitsa-svodnyh-dannyh/zanyatost-i-bezrabotit-sa/index.php](http://www.belstat.gov.by/ofitsialnaya-statistika/ssrd-mvf_2/natsionalnaya-stranitsa-svodnyh-dannyh/zanyatost-i-bezrabotit-sa/index.php)>.

blocked, and formally labor compensation costs do not look threatening. In the manufacturing sector, compensations (with payments to the Social Security Fund) do not exceed 17% of product costs. However, we should add costs incurred to preserve jobs, which are almost never taken into account.

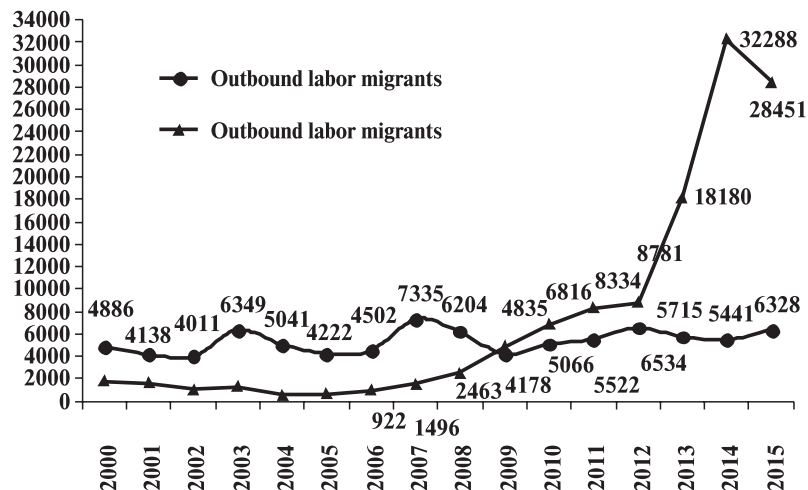
Figure 2. Change in productivity to real wages ratio, on an accrual basis, by year



2. *Narrow wage differentials* (especially in the budget sector, where a wage reform is called for, along with the introduction of result-oriented budgeting). The contracted differentials affect the mid- and long-term contribution to future productivity and economic growth in the sectors that are responsible for human capital generation — education and healthcare. Besides, the relatively low return on human capital remains a strong ousting factor.

The Palma ratio (the ratio of the richest 10% of the population's share of GNI divided by the poorest 40%'s share) in Russia has remained more than *twice* as high as in Belarus in the past decade. Positive migrant selection affects both productivity and GDP due to 'brain drain.' This problem becomes evident if we compare the qualification of registered labor migrants who leave Belarus and enter the country (Figure 3).

**Figure 3. Change in the number of labor migrants who leave and come to live to Belarus based on registered contracts (EEU citizens are not included)**



3. *High labor turnover* (the turnover rate exceeded 50% in 2010–2015). Workforce is normally reallocated to less productive sectors and is largely motivated by corrupted stimuli to find a less strenuous job. High labor turnover mostly affects the manufacturing sector, which accounts for 32% of dismissed workers and 23% of newly employed workers. In the woodworking sector, the retirement ratio (ratio of dismissed personnel to the average number of listed employees) remained at 38% over the past *five years*. The lack of balance between professional skills of workers and employers' requirements is another reason behind the high dismissals rate, along with the overall ineffectiveness of production. The latter forces employers to maintain a fixed share of staff that can easily be replaced (trainees, workers employed subject to a trial period), who are paid minimum wages, in order to be able to pay more valuable staff higher wages. This adaptation mechanism helps enterprises, especially those owned by the state, to deal with excessive employment. This mechanism takes its toll on the quality of workforce, as the share of unskilled workers increases.

According to specialists, up to 5% of the employed population (200,000–250,000 people) could be involved in this 'rotating buffer' in 2015, and for some sectors the share can be twice if not thrice as high.

4. *Slower creation of new jobs*, which implies a slower pace of economic modernization. Fewer high-performance jobs were created in 2015 — only 335 job in January–September 2015, down from 690 in 2014.

5. *Slow adaptation of the Belarusian labor market to the drop in demand*, compared with the rest of the EEU and western countries of the region, which causes insufficient support for the price competitiveness of products (real unit labor costs keep growing).

6. *Local labor markets in rural areas and one-company towns were affected the most*, and features of 'spatial' property traps can be observed there. A recent study<sup>5</sup> showed that an increase in wages in a district brings about a reduction of poverty in neighboring districts (growth of prosperity of commuters), whereas the direct negative effect can serve as a signal that low-income population is not involved in the local labor market.

A similar phenomenon can be observed with small business — the existing benefits in small towns and rural areas encourage an increase in the share of workforce involved in business. Because a substantial portion of the workforce in rural areas does not see any motivation to work (which is often aggravated by alcohol abuse), there is a trend towards replacing local workers with from other regions and even from towns (in some cases up to 80% of workers are replaced).

Given the fact that many agricultural organizations remain loss-making, the local community and authorities need to redouble their efforts to prevent poverty traps and deal with the drinking problem. To this end, the Development Program to 2020 includes a target to reduce alcohol consumption per capita to 9.2 liters per year.

In 2015, the situation in the labor market was further affected by general economic challenges, and the country for the first

<sup>5</sup> Babicki, Dzimtry and Valetka, Uladzimir. "Belarus's Central Region: How not to be Caught in a Poverty Trap?" *CASE Belarus*. Nov. 2014. Web. 14 May. 2016. <<http://belaruspolicy.com/en/content/belarus-central-region-how-not-be-caught-poverty-trap>>.

time suffered from a serious deficit of the Social Security Fund (See Table 1). With the continuous ageing of the population and absence of prerequisites for wage hikes, the pension age will definitely be raised.

**Table 1. Social Security Fund's incomes and expenditures, dependence on labor market and GDP, 2012–2015**

Indicator	2012	2013	2014	2015
SSF revenues, BYR bln	56.995	77.910	94.403	104.785
SSF expenditures, BYR bln	56.225	78.433	94.176	108.193
Deficit(–), surplus, BYR bln	0.770	–0.523	0.227	–3.408
GDP, BYR bln	530,356	649,111	778,456	869,702
SSF revenues, % GDP	10.7	12.0	12.1	12.0
SSF expenditures, % GDP	10.6	12.1	12.1	12.4
Deficit(–), surplus, % GDP	0.1	–0.1	0.03	–0.4
Real GDP growth, %	1.7	1	1.7	–3.9
Growth of employment, %	–1.7	–0.7	–0.6	–1.2
Growth of real wages, %	21.5	16.4	1.3	–3.1
Growth of pensions, end of period, %	–0.7	0.5	8.2	2.3

Note. Calculations based on SSF and Belstat data.

No wonder the government started looking for ways to make up for the deficit by cutting ‘grey’ employment schemes. Presidential Decree No. 3 dated 2 April 2015 ‘Concerning the prevention of social parasitism’ envisages annual payments to finance public expenditures by citizens who were not employed or were employed for less than 183 calendar days per year. The annual payment amounts to 20 basic units (USD 181 in 2015; USD 211 in 2016).

According to the official comment, the decree is adopted to “prevent social parasitism, encourage able-bodied citizens to be involved in labor activity, and ensure the compliance with the constitutional obligation to finance state expenditures.”<sup>6</sup> It had been planned that the introduction of payments for ‘social parasites’ would become a profitable project, which would

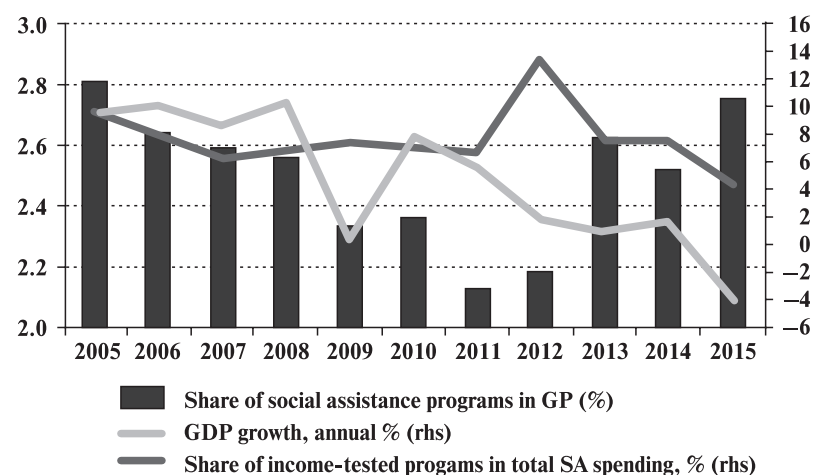
<sup>6</sup> «Комментарии к Закону о тунеядстве.» *Tuneyadstvo.by*. Apr. 2015. Web. 14 May 2016. <<http://tuneyadstvo.by/kommentarii-po-dekretu/>>.

contribute some BYR 450 billion to the state budget annually. However, only BYR 5.2 billion was collected during the first year, an estimated 1.1% of the originally planned amount. Since August 2015, only 2,128 Belarusians have admitted to being ‘parasites’, receiving a 10% discount.<sup>7</sup>

### Social protection

In 2015, the financing of social programs by the state may suggest a counter-cyclic trend: amid the drop in GDP social support grew bigger — to 2.76% of GDP from 2.55% (see Figure 4).

**Figure 4. Change in the share of expenditures on social support in GDP, % in 2005–2015**



The year 2015 saw a stronger focus of social programs on families with children: families with a child younger than 3 now enjoy a monthly allowance for their other children aged 3 to 18. Given the low effectiveness of state investment programs, the expansion in support for the development of human capital appears to be a more effective and preferable intervention of the

<sup>7</sup> «“Приходит по 100 человек в неделю”. Белорусы стали активнее признаваться налоговой в тунеядстве.» *TUT.BY*. 4 May 2016. Web. 14 May 2016. <<http://finance.tut.by/news495109.html>>.

state. At the same time, the categories-based approach to social support for families resulted in a serious decrease (up to 4%) in the share of spending on social support, which now calls for testing the real level of incomes.

Moreover, based on disaggregated data on real recipients of social benefits, the efficiency of social support programs is a reason for major concern. The coverage of the population with social protection programs edged down from 76% in 2014 to 75.7% in 2015, meaning that 75.7% of the population fell under at least *one of the three* social protection programs (social insurance and pensions, labor market, and social protection). At the same time, only 23.9% of the population benefited from state social support programs, 23% from social insurance programs, and 28.8% were entitled to transfers from all of the programs.

**Table 2. Distribution of beneficiaries of state programs<sup>8</sup>**

Type of program	Q1 quantile: 20% least well-off			Q5 quantile: 20% most well-off		
	2014	2015	D	2014	2015	D
All social support (1 + 2 + 3)	21.2	20.3	-0.9%	17.8	19.0	+1.2%
1. Social insurance (all pensions)	16.5	16.0	-0.5%	19.9	21.4	+1.5%
2. Unemployment benefit	58.2	58.8	+0.6%	3.1	6.3	+3.2%
3. Social assistance, including child allowances	24.7	23.3	-1.4%	15.6	16.6	+1.0%
other benefits and transfers	33.0	30.7	-2.3%	8.7	12.2	+3.5%
allowances	26.2	23.5	-2.7%	16.1	20.9	+4.8%
	26.6	23.2	-3.4%	15.6	16.3	+0.7%

<sup>8</sup> Calculated based on data from sampling surveys of households' living standards with the use of the 'Social Protection' module of the World Bank's ADePT software platform. The quantiles of per-capita incomes were identified on the basis of consumption per household member inclusive of social transfers. The distribution of beneficiaries was determined as follows: the number of persons in each group (quantile) living in a family, in which at least *one* person receives a transfer / total number of direct and indirect beneficiaries. See "ADePT Social Protection." *The World Bank*. Web. 14 May. 2016. <<http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTADEPT/0,,contentMDK:22679006~menuPK:7332121~pagePK:64168182~piPK:6416806~theSitePK:7108360~isCURL:Y,00.html>>

Table 2 presents the distribution of beneficiaries by the quantiles of the poorest and wealthiest households. In all types of programs, the presence of the most well-off quantile among recipients increased.

The same applies to targeting accuracy — an increase was reported for the quantile of the most well-off households and corresponding decrease for 20% least well-off households, except for unemployment benefits and allowances (see Table 3). The reduction of coverage was mostly in the segment of the most vulnerable households (from 80% to 72.2%).

**Table 3. Share of program budget spent in a respective quantile of households (targeting accuracy)<sup>9</sup>**

Type of program	Q1 quantile: 20% least well-off			Q5 quantile: 20% most well-off		
	2014	2015	D	2014	2015	D
All social support (1 + 2 + 3)	13.1	11.9	-1.2%	22.5	23.8	+1.3%
1. Social insurance (all pensions)	9.8	9.2	-0.6%	24.2	25	+0.8%
2. Unemployment benefit	49.1	49.5	+0.4%	7.3	9	+1.7%
3. Social assistance, including child allowances	28.7	25	-3.7%	14.3	18	+3.7%
other benefits and transfers	34.7	29.8	-4.9%	8.5	12.2	+3.7%
allowances	21.7	15.6	-6.1%	23.2	30.2	+7.0%
	21.5	24.5	+3.0%	19.5	19.3	-0.2%

The average poverty rate reached 5.1% in 2015, up from 4.8% in 2014, whereas in rural areas the figures were at 8.7% and 7.9%, respectively. Therefore, the rural population became the category that was most affected by the crisis, the main reasons being the poor situation in agriculture and status of local budgets, which serve as sources of financing of state targeted support and allowances.

The targeted nature of social support programs did not pass the test of the economic downturn. In order to improve the targeted character of social support it is necessary to reduce the

<sup>9</sup> See note to Table 2 for the source of data and calculation method. Targeting accuracy indicates the amount of transfers received as a percentage ratio to the total amount of transfers enjoyed by the population.

share of categories-based payments and introduce tests of real incomes or progressive taxes on transfers depending on the level of household incomes.

### Conclusion

Despite the improvement in the demographic situation in 2015, the reduction in workforce and ageing of the employed population remained serious problems. High labor turnover and ‘brain drain’ persist due to low wage differentials. Unit labor costs decrease, but at a lower rate than productivity, which affects competitiveness and impedes the creation of new jobs. An increase in wage differentials appears to be one of very few reserves for encouraging productivity gains. The Belarusian economy may run short of funds to finance social support programs if the recession continues, and wages and employment drop. The deficit of the Social Security Fund makes an increase in the pension age an inevitable move, while the social support system seems inefficient and calls for improvements amid the downturn.

## ENERGY SECTOR: ENERGY RENT PLUMMETS

Aliaksandr Autushka-Sikorski

### Summary

The drop in crude oil prices, which began in the summer of 2014, produced a profound negative impact on the financials of Belarusian oil-processing companies in 2015. Other negative factors that affected the Belarusian oil sector remained unchanged – the ongoing depreciation of the Russian ruble and the ‘tax maneuver’ in the Russian oil-extracting sector. The price of Russian natural gas for Belarus decreased following the plummeting oil price; however, this time, lower natural gas prices implied more threats than benefits. Prices fell even for European consumers, and the comparative advantages of Belarusian companies based on lower energy prices almost came to naught. In 2015, the work to phase down cross-subsidies slowed, and the deadline for Belarus to do away with cross-subsidies was postponed from 2017 to 2020.

### Trends:

- Oil-processing terms seriously deteriorated in the wake of crude oil price drops, which poses a threat to the financial stability of Belarusian oil refineries;
- Cheap energy-based comparative advantages of Belarusian companies were affected;
- Efforts to abolish cross-subsidies slowed.

### Oil and oil products

In 2015, the Belarusian oil-processing sector was affected by the price shock in external crude oil markets, because supply markedly exceeded demand. Throughout 2015, global *Brent* blend prices dropped from USD 50 per barrel to USD 35, or by around 30%. Since June 2014, when oil prices started falling, a 69% decrease in prices was registered from USD 111.62 per barrel. The price of the *Urals* blend delivered from Russia to Belarusian oil-processing companies went down from USD 46.58 per barrel to USD 36.42, and since June 2014, the price dropped by 67% from USD 108.93 per barrel.

The decrease in crude oil prices naturally affected the prices of exported oil products, making the year 2015 the *worst* one in terms of export proceeds from foreign supplies of oil products in



the past *five* years (see Table 1). In 2015, export revenues from oil products dropped by 30.7% year-on-year to USD 6.831 billion, despite the 22.4% increase in export deliveries in volume terms, to 16.581 million tonnes. On a per tonne basis, oil product prices fell by 43.4% to USD 403.5.

**Table 1. Change in export supplies of oil products in volume terms, value terms, and on a per tonne basis, 2010–2015<sup>1</sup>**

	2010	2011	2012	2013	2014	2015
Export in volume terms, million tonnes	11.2	15.7	17.493	13.563	13.761	16.581
Revenues, billions of U.S. dollars	6.669	12.732	14.505	10.155	9.853	6.831
Oil product prices, USD/t	595.0	811.0	829.17	748.76	715.98	403.5

One reason behind the increase in foreign supplies of oil products in volume terms was the change in export destinations. Deliveries to the CIS dropped by 22.1% year-on-year, whereas supplies to consumers beyond the CIS rose by 52.5%. Belarus's supplies to Russia were as low as 903,000 tonnes, although the country had committed to deliver 1.8 million tonnes of oil products to Russia in 2015. The reduction in supplies is attributed to the depreciation of the Russian ruble, which made Russia a less profitable destination for Belarusian oil products. Belarus's default on its obligations to deliver oil products to Russia was not a material breach of the country's contractual commitments, though, because the agreement signed back in 2014 enables Belarus to begin consultations over a temporary suspension of oil product supplies to Russia whenever the price of such commodities in Russia fell below the so-called 'export parity' (the export price minus transport costs and duties).

For its part, the Russian side is entitled to reduce the volume of crude deliveries to Belarus (by 5 tonnes per each tonne of oil products short of the agreed volume). However, in 2015, Belarus

<sup>1</sup> «Экспорт важнейших видов продукции.» *Национальный статистический комитет Республики Беларусь*. Web. 7 Mar. 2016. <[http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-ok-ruzhayushchaya-sreda/vneshnyaya-torgovlya\\_2/osnovnye-pokazateli-zaperiod-s-\\_\\_-po-\\_\\_\\_gody\\_10/eksport-vazhneishih-vidov-produktsii/](http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-ok-ruzhayushchaya-sreda/vneshnyaya-torgovlya_2/osnovnye-pokazateli-zaperiod-s-__-po-___gody_10/eksport-vazhneishih-vidov-produktsii/)>.

imported the entire volume of crude oil that it was supposed to receive under the original agreement (22.9 million tonnes at USD 247.3 per tonne). In value terms, import dropped by 35.7% to USD 5.669 billion, because the per-tonne price fell from USD 338.9 in 2014.

The decision of the Russian side not to reduce crude oil supplies to Belarus in 2015 must have been caused by the fact that Belarus held a presidential election and budget revenues were more important than ever before. Russia thus offered the incumbent president its political support once again – this time by ensuring favorable terms of bilateral trade in crude oil and oil products. The year 2015 was also characterized by a significant reduction in the share of processing on a tolling basis at the Belarusian refineries – it dropped to 24% of the total amount. The decrease in the processing volume was due to the negative impact of the Russian tax maneuver in the oil sector: export duties went down, while the mineral extraction tax rate went up, which makes export of crude oil more profitable than domestic processing in Russia.

In 2015, the tax maneuver amid falling crude oil prices affected the profitability of the Belarusian oil-processing sector. The reduction in oil prices not only impacted the price of exported oil products, but also resulted in a cut in the amount of oil duties that the country managed to keep in its budget according to the agreement signed in October 2014 – to approximately USD 1 billion.

In 2015, Belarus exported 1.6 million tonnes of its domestic crude oil at USD 358.6 per tonne, down from USD 695.1 in 2014. One of the most important developments for the Belarusian oil sector was the discovery of a new oil deposit in the Homiel Region, estimated at around 700,000 tonnes.

### Natural gas

In 2015, Belarus saw a reduction in natural gas import from Russia. In volume terms, gas deliveries amounted to 18.79 billion cubic meters, down from 20 billion cubic meters in 2014, or by 6.3%. The average annual gas price for Belarus decreased by 15.1% from the 2015 level to USD 144 per 1,000 cubic meters.

In value terms, the import of natural gas dropped by USD 700 million to USD 2.71 billion.

The reduction in the average annual price was caused by the fall in global oil prices, to which the natural gas price is pegged under the applicable agreements on gas supplies. The gas price drop caused a much narrower gap between the prices effective for European and Russian domestic consumers (Belarus is regarded as a domestic buyer). The difference in natural gas prices in Belarus and on the German border shrank to USD 115 in 2015 from USD 211 in 2014. Given that the average oil price in 2016 will be even lower than last year, the gap between the prices for Belarusian and European consumers of Russian natural gas will further narrow. An additional factor will thus affect the competitiveness of Belarusian manufacturers.

Although Belarus receives Russian natural gas at prices that are considerably lower than in other countries, it is the price that became the main reason why gas import fell in 2015 in volume terms. The economic predicament caused the Belarusian authorities to save on energy purchases and use fuel oil instead of natural gas to generate power. Despite relatively low prices, the Belarusian budget was faced with numerous failures to pay for gas in 2015, with combined debts amounting to BYR 5 trillion, or USD 269 million at the official exchange rate in December 2015.

### Electricity and tariff policy

In 2015, Belarus imported 2.8 billion kilowatt-hours (kWh) of electricity, down by 26.4% from the level reported in 2014. Electricity import has gone down since 2012 due to the need for diversifying the fuel and energy balance. In 2016, electricity import is projected at 2.5 billion kWh, which will represent a decrease by 10.7% from 2015.

In 2015, electricity fees for households were raised *three times*: in January, March, and December. The benchmark tariff was increased to BYR 942.5 per kWh in January and to BYR 990 per kWh in December, i.e. the growth in electricity rates was at 4.8% in 2015 alone, and since late 2014, the rate had grown by 13.3% (December on December). However, despite its plans, the government never managed to increase rates to a level, where

households would be paying 80% of electricity costs, and in early 2016, the figure stood as low as 25%.

No appreciable progress towards the complete abolition of cross-subsidies was made in 2015, although the original plan was to do away with it by 2017. Moreover, in March 2016, the deadline for the cancellation of cross-subsidy of electricity tariffs was shifted to 2020 by Resolution No. 169 of the Council of Ministers.

As a result, as of December 2015, electricity fees for Belarusian households were markedly lower than those in neighboring European countries. Belarusian consumers were paying EUR 0.0507 per kWh, whereas Estonian households were paying EUR 0.13, Polish consumers EUR 0.144, Lithuanian buyers EUR 0.126, and Latvian households EUR 0.164.

Electricity rates for the real economy increased in the BYR equivalent to BYR 1,972 per kWh from BYR 1,237 (for companies with capacities exceeding 750 kVA) and to BYR 2,519 per kWh from BYR 1,580 (for companies with capacities below 750 kVA). Given changes in the ruble exchange rate, in December 2015, Belarusian companies were paying EUR 0.0963 and EUR 0.123 per kWh (depending on their capacity). Therefore, in the euro equivalent, electricity rates for the real economy fell from 2014, when they averaged EUR 0.137. However, European rates for manufacturers remain much lower: in 2015, Polish companies were paying EUR 0.088 per kWh, and Lithuanian producers were paying EUR 0.099. As we forecast in the previous issue of *Belarus Yearbook*, cross-subsidies were reduced at a very low pace in 2015.<sup>2</sup>

### Conclusion

In 2015, the profitability of the Belarusian oil-processing sector decreased even more than in 2014, and now threatens the financial stability of the oil refineries. Oil price forecasts show that in the medium term, the Belarusian oil-processing sector

<sup>2</sup> Autushka-Sikorski, Aliaksandr. "Energy Sector: Local oil-processing crisis." *Belarusian Yearbook 2014*. Web. 12 Mar. 2016. <<http://nmnby.eu/yearbook/2014/en/index.html>>.

will not be capable of ensuring the same high level of currency earnings as before.

The lower prices for Russian natural gas did not make it easier for Belarusian companies: the budget was affected by mass non-payments for energy. The comparative advantages that Belarusian companies used to have due to the price differences with European consumers were almost neutralized.

The aggravated problems in the Belarusian economy and reduction in household incomes make the abolition of cross-subsidies quite unlikely in the foreseeable future, even given the postponement of the deadline for its cancellation to 2020.

## FOREIGN INVESTMENT: ONLY LOANS REMAIN

**Maria Akulova**

### Summary

In 2015, the low demand for state assets and lack of flexibility and interest in expediting the privatization process remained the key reasons behind the absence of progress in sales of state property. Foreign loans remain the main source of investment, which is mostly spent to refinance current debts and therefore lead to a further increase in the amount of debt, instead of encouraging reform and efficiency gains.

### Trends:

- Reliance on foreign loans as the main source of foreign capital;
- Decrease in the combined volume and number of M&A transactions;
- Lack of dynamics in the market for portfolio investments;
- Cessation of privatization manifested in the withdrawal of respective bills.

### Plans and implementation

The failed attempts to raise foreign financing in previous years had prompted the authorities to elaborate modest and vague investment plans. In 2015, Belarus had planned to raise at least USD 1.875 billion in Foreign Direct Investment (FDI). Further, the country had expected a USD 500 million loan from Russia. Overall, the government had worked out a package of active measures to raise approximately USD 3 billion to replenish the gold and foreign currency reserves. Privatization of state property became a low priority and was named a 'recommendation' rather than a 'target.'

The plans failed, though. Belarus managed to raise USD 1.568 billion in FDI in 2015<sup>1</sup>, down by 16% from the level recorded in 2014, when FDI in Belarus reached USD 1.862

<sup>1</sup> «Платёжный баланс, международная инвестиционная позиция и валовой внешний долг Республики Беларусь на 2015 год. Предварительные данные.» *Национальный банк Республики Беларусь*. Web 4 Apr. 2016. <<http://www.nbrb.by/publications/BalPay/BalPay2015.pdf>>.

billion. As in previous years, most of FDI in Belarus was formed by reinvested incomes of foreign owners (USD 1.1 billion), rather than the appearance of new players and technologies in the market (USD 208.5 million).

In 2015, foreign investment in Belarus totaled USD 1.249 billion, down from USD 4.141 billion in 2014. The gap was due to the fact that in 2015, Belarus redeemed its debut 5-year Eurobond issued in 2010.

Gross state debt edged down by approximately 1% in 2015, from USD 13.1 billion as of 1 January 2015 (17.3% of GDP) to USD 13 billion as of 1 January 2016 (23.7% of GDP). The situation clearly deteriorated, despite the reduction in the amount of the external state debt in absolute terms. Total external debt went down by 4.5% to USD 38.3 billion on 1 January 2016 from USD 40 billion on 1 January 2015.

In 2015, some USD 4.8 billion was paid to service foreign debts (including final payments to the IMF, China, Venezuela, and Russia, in addition to Eurobond redemption). Export duties on oil and oil products accounted for a portion of this amount, while the rest was provided by new borrowing.

### FDI and privatization

As we mentioned above, net FDI inflow amounted to USD 1.568 billion in 2015, while the target had been set at USD 1.875 billion. Some important conclusions can be drawn from the analysis of the structure of FDI raised.

*First*, unlike in previous years, the state ceased to rely on privatization due to its nonexistent dynamics and lack of demand for state property from potential investors. Privatization of state property essentially received the status of “doable, albeit optional.”

*Second*, as before, reinvested incomes of Belarusian companies remained the main source of FDI in the Belarusian economy. In the fourth quarter, they amounted to USD 1.1 billion (73%). Foreign investment in the form of equity capital reached USD 279.3 million (18%), while transactions with debt instruments accounted for the remaining share, at USD 143.6 million (9%).

According to *BelStat*, in 2015, the share of FDI channeled in the manufacturing sector reached 11.7%.<sup>2</sup> Insufficient level of investment in the manufacturing sector still remains. Poor equipment is the main obstacle to the effective and competitive development of the sector, and there is a strong need for upgrade. More active FDI inflows have sufficient potential for simplifying and speeding up these processes.

Privatization turned out to be completely frozen, although back in 2014, the authorities claimed at least USD 850 million worth of state assets would be sold. The government had been recommended to make a list of companies, in which the state was ready to sell its shareholdings. As a result, in April 2015, a list of 60 joint-stock companies, in which the state is planning to sell its stakes at auctions or through tenders, appeared on the website of the State Property Committee. However, the way the process was described – “performance of activities aimed to sell” – suggests that the privatization campaign will hardly be intensified.

Small and medium companies were supposed to be sold at auctions, whereas major strategic enterprises were expected to be sold following tendering procedures. The State Property Committee never managed to expand its autonomy in privatization-related decision-making. The president still has the final word when it comes to sales of state property.

The list of assets appeared to be quite diverse and included enterprises controlled by various concerns. In 86% of the companies on the list, the state was planning to sell its entire stakes, ranging from 6% to 99%. In the remaining 14% of the companies, the state was willing to keep a certain amount of shares (*OAO BATE*, *OAO Horizont*, *OAO Mogilevdrev*, etc.).

Interestingly, selling prices were not announced. The price-formation formula is the maximum level based on the market and balance sheet value of an enterprise as of 1 January of the year of sale (following a respective approval by the head of state). Privatization of virtually any asset was subject to specific terms and conditions that an investor is supposed to meet after it buys the property (guarantees of

<sup>2</sup> Ibid.

additional investment, unchanged number of jobs, wages, and core activities, etc.).

The vagueness of the selling price, numerous additional requirements, as well as the long decision-making process for each asset affect investors' interest in state property. No wonder not a single asset on the list was sold in 2015.

The demand for Belarusian state property was further undermined by the likelihood of a new privatization law. According to the bill on privatization, the state will be playing a more prominent role in the management of joint-stock companies irrespective of the shareholding owned by the government, i.e. essentially reinstated the "golden share" right. Severe criticism by international organizations and the business community led to the withdrawal of the bill from the parliament.

The only successful privatization-related development recorded in 2015 was the agreement between the Belarusian government and the European Bank for Reconstruction and Development (EBRD) on potential sale of a controlling stake in state-owned OAO Belinvestbank to a strategic investor by 1 January 2020. The asset is worth an estimated USD 400 million. The EBRD agreed to purchase a shareholding (25% plus one share) by investing in the bank's equity and subscribing to its shares. In late 2015, the EBRD extended a USD 50 million loan to OAO Belinvestbank as part of the privatization agreement. The EBRD is expected to purchase a blocking stake in Belinvestbank in 2016.

M&A transactions in the private sector were scarce. The most significant one is the deal involving Aliaksiej Aliksin, the owner of oil trade, travel, and brewing companies – *Belneftegaz* bought 65.8% in MTBank, which used to be controlled by *SMH* direct investment fund. The U.S. investment fund *Horizon Capital* still owns the remaining 34.4% in the bank. The amount of the transaction was not announced; however, based on external estimates, it reached approximately USD 70 million.

In the summer of 2015, Veles-Mit, another company controlled by Aliksin, paid BYR 34.3 billion for a state shareholding in Haradzilava farm in the Maladziečna District. The company was thus entitled to build *two* pig farms on the lands belonging to Haradzilava (an estimated EUR 70 million

will be required). Finally, another business of Aliksin's, *MamasD*, headquartered in Latvia, signed an agreement with the European Union to take a EUR 1.5 million loan to open a salmon and trout processing line.

Last year, another Belarusian businessman, Vital Arbuza, actively invested in various projects beyond Belarus (United States, Southeast Asia). In 2011, he established FVC, a venture capital fund, to search for and promote promising projects. Over the *five* years since its inception, FVC has provided financing for approximately 76 projects, of them 25 received capital in 2015. So far, FVC has invested a total of USD 400 million in its projects.

The fund focuses on mature startups operating in healthcare, corporate finance, and mobile applications. FVC is a leading venture capital investor in Southeast Asia. Furthermore, in 2015, the fund became a co-owner of the new venture capital fund FIVC, which will focus on supporting IT startups in South Asia, Southeast Asia, the United States, Europe, and Israel.

Also in 2015, important M&A deals in the IT sector included the acquisition of the U.S.-based assets of *Alliance Global Services* by *EPAM Systems* (for USD 51.3 million) and purchase of a 6% stake in *EPAM Systems* by the American institutional investor *Vanguard Group* for USD 170 million.

In the *Greenfield* segment, the Polish construction holding *Unibep* and the Belarusian public utility company Aqua-Minsk signed an agreement to build a tennis center. Investments in the facility are expected at EUR 28.6 million.

The largest Polish producer of construction mixes *Grupa Atlas*, which already had operations in the Belarusian market, launched a factory making expanded pearl-stone and announced plans to finance the construction of a paper mill.

Finally, the Ministry of Finance provided BYR 85 billion from the MTiK innovation fund for the construction of a new aircraft repair plant near Minsk, which is supposed to be completed by 1 January 2018.

### Portfolio investment

The authorities had hoped to raise foreign financing in 2015 by offering debt securities in foreign markets; however, loans



appeared to be too expensive because of the economic difficulties domestically.

In early 2015, yields on Belarusian 5- and 7-year Eurobonds reached new highs (late January) – 46.1% on the issue maturing in 2015 and 19.3% on Eurobond maturing in 2018, up from 5.1% and 6.1% in January 2014.

The economic situation proved to be more stable later in 2015, and the government pledged to pay all its debts in time, thus bringing down the pressure on the two Eurobond issues. In August, the country redeemed its 5-year Eurobond, which, alongside the improvement in Belarus's relationship with the West and beginning of a more substantive dialogue with the World Bank and the IMF, resulted in a decrease in yields on 7-year Eurobonds, all the way down to 6.4% in December 2015.

In 2016, Belarus will be able to successfully refinance its debts if the situation in the domestic money market remains favorable, along with external economic factors.

### **Other foreign liabilities**

In 2015, the Belarusian government borrowed USD 2.2 billion, the main sources being Russia (73%) and China (24%). Some USD 1 billion was spent on repaying foreign liabilities, including debts to the EurAsEC, the IMF, Russia, and China. The net increase in the foreign debt liabilities of the Belarusian authorities thus amounted to USD 1.2 billion.

Throughout the year, Belarus continued talks with the IMF over a new lending program envisaging the borrowing of approximately USD 3 billion. However, the unwillingness to meet the Fund's demands and put in place structural reforms, including the transformation of the utilities sector, discontinuation of subsidies to state companies, and reduction of the burden on private business, became a major obstacle, and the deal was not signed.

In spring, Belarus applied for a USD 2.1 billion credit line from the Eurasian Fund for Stabilization and Development (EFSD). In 2015, no decision was made, though; however, in February 2016, Russian Ambassador Alexander Surikov said in a statement that the loan would be provided. The official

confirmation was received in late March. The new loan will be used to refinance previous loans, not to implement reforms, though.

### **Arrangements to raise foreign financing and improve the investment climate**

As was mentioned above, the bill introducing amendments to the Law of the Republic of Belarus 'Concerning privatization of state property and transformation of state unitary enterprises into open joint-stock companies' was withdrawn. The cancellation of the bill, which envisaged a stronger role of the state in the management of the national economy, marks a positive shift that will benefit business and potential investors.

The main barriers to foreign investment include the situation with property rights and independence of decision-making. The bill could further affect the poor investment appeal of the country.

### **Conclusion**

Belarus plans to raise at least USD 1.35 billion in net FDI in 2016. Also, the government hopes to borrow USD 3 billion from foreign sources. Foreign lenders will only take positive decisions to lend to Belarus if the authorities show their eagerness to reform the economy, especially the public sector. Any reduction in support for state assets will result in either bankruptcy of enterprises or intensification of efforts to sell them.

In early 2016, the State Property Committee published a new list of enterprises subject to privatization. The new list presents state assets as entities that are potentially ready to change ownership, rather than property prepared for sale. However, on the other hand, most of the assets on the list must be sold via a competitive tendering procedure, meaning that investors will need to meet a series of conditions. This is a major barrier preventing effective sales, amid ambiguous property valuation procedures.

Two important cues encouraging investors to show more interest in foreign investment are Decree No. 84 'Concerning

the issue and circulation of shares with the use of foreign depository receipts' and Decree No. 85 'Concerning the taxation of some revenues.' The former entitled open joint-stock companies to float and sell their shares in foreign markets, while the latter extends the period of tax relief applied to revenues from transactions with Belarusian corporate bonds. These documents are therefore designed to make it easier for foreign investors to access the Belarusian market.

Overall, economic imbalances and deterioration of foreign terms of trade create additional obstacles to foreign capital. However, this situation may have potential to force the Belarusian authorities to implement structural reforms, which will produce a positive impact on foreign investors' operations in Belarus.

## **REAL ECONOMY: A PERIOD OF LOSSES AND EXPECTATIONS**

**Vadim Sekhovich**

### **Summary**

In 2015, Belarus's real economy operated in conditions of a regional crisis. The drop in global oil prices produced an additional impact on the local economy, which heavily depends on the processing of Russian crude oil and sales of oil products. The decrease in sales in volume terms and resulting plunge in profits markedly affected the financial performance of Belarusian enterprises and brought about hikes in non-payments to the state budget, contractors, as well as defaults on loan commitments.

Mechanical engineering, construction, real property, the light industry, and retail were the most affected sectors last year. At the same time, sales were growing in the defense sector, food processing, and production of specialty devices and equipment. The pharmaceutical industry showed the most impressive growth in the Belarusian manufacturing sector. In agriculture, the dairy industry reported a new record high output. The IT industry was growing at a fast pace as well. The recession made it obvious that the national economy is in need of structural transformation. Attempts were made – albeit inconsistent and sporadic – to limit state support for the real economy.

### **Trends:**

- Drop in export profits of the oil product and potash sectors;
- Spreading of crisis-induced trends all over the private sector, sharp business decline, stagnation in most of the internal markets;
- International expansion of Belarusian IT businesses;
- Wait and see attitude of the government, threats to replace the 'liberal cabinet' with conservatives.

### **Industry: no drivers of growth**

In 2015, the national manufacturing sector reported a 6.6% reduction in output in year-on-year terms, responding to the protracted deepening crisis in the key markets. Industrial output amounted to BYR 729 trillion in comparable prices.

Out of *seventeen* economic activities included in the industrial production index (IPI), only *two* reported increases in output compared with the year 2014. One of them is the

‘production of coke, oil products, and nuclear materials,’ with an increase by 0.3% year-on-year, and the other one is ‘chemical production,’ which reported a 6.3% growth in output.<sup>1</sup>

Because of the drop in global oil prices, oil products did not have sufficient capacity to become the chief growth driver of not only industrial output, but also export. Overall export supplies shrank by 26% to USD 26.685 billion, and oil products saw a record decline by USD 3 billion. The UK became the only export destination that showed a considerable growth in supplies from Belarus. In value terms, supplies to Ukraine dropped the most. Due to the unfavorable market situation, Russia received only half of the volume delivered back in 2014 (in value terms, deliveries fell by 65% year-on-year). The reduction caused Moscow to threaten to slash crude oil supplies to Belarus.

Export of potash fertilizers decreased as well in the wake of the fall in global prices, which was first observed in late 2015. *Belaruskali* remained the main export driver throughout 2015; however, export increased only by 0.3% year-on-year, or by USD 6.7 million, in January–December 2015.

The pharmaceutical sector – which is part of the chemical industry – reported a 38% increase in output year-on-year in 2015, which makes it the leader of the Belarusian industrial sector. The increase can be attributed to the implementation of a state program that aims to provide the Belarusian market with domestically-made pharmaceuticals.

In 2015, the government and the Ministry of Healthcare managed to increase the share of Belarusian medications in the local market to 50% from 39% in value terms. Although *two* state-controlled manufacturers – *Belmedpreparaty* and *Borisovski ZMP* – account for 70% of all of the medications produced in Belarus, the share of privately-owned companies (*Lekpharm*, *Pharmland*, *Pharmtekhnologia*, *Triplepharm*) has been growing by 2–3 percentage points annually. Bulgarian and Indian investors have come to the sector, along with one

<sup>1</sup> «Индексы промышленного производства по видам экономической деятельности.» *Национальный статистический комитет Республики Беларусь*. Web. 28 Feb. 2016. <[http://www.belstat.gov.by/ofitsialnaya-statistika/realny-sector-ekonomiki/promyshlennost/godovye\\_dan\\_nwe\\_prom/osnovnye-pokazateli-raboty-promyshlennosti/](http://www.belstat.gov.by/ofitsialnaya-statistika/realny-sector-ekonomiki/promyshlennost/godovye_dan_nwe_prom/osnovnye-pokazateli-raboty-promyshlennosti/)>.

of the leading companies in the Russian pharmaceutical sector *Biocad*. *Biocad*'s portfolio investor is *Millhouse*, owned by Roman Abramovich.

Mechanical engineering became the underperformer of the year again, with a decline in output by 25.2% year-on-year. Supplies of tractors and trucks became the *second* and *third* most affected exports, following oil products. MTZ's export deliveries dropped by USD 365 million from the level of 2014, and combined export sales by MAZ and BelAZ went down by USD 356 million. Supplies of farm machines to foreign buyers decreased by USD 141 million, and of car parts declined by USD 117 million.<sup>2</sup>

In the first three quarters of 2015, *five out of ten* most loss-making enterprises of Belarus were mechanical engineering companies – *Gomselmash*, MTZ, MAZ, *Amkodor*, and BATE.<sup>3</sup> Defense companies were the only exception in the Belarusian industrial sector. The war in Syria and the overall tense situation in that region led to a growth in demand for special Belarusian developments.

The year 2015 was also characterized by staff reductions at major state-owned and private enterprises, as well as a considerable increase in the number of entities that underwent insolvency procedures. In the state sector, such procedures were initiated against Viciebsk-based KIM and *Mahilo Strommashina*, and in the private sector, against *Glass Factory Jielizava*.

### Agriculture: export proceeds eaten up by depreciation

Last year's slump in Belarusian agribusiness proved to be less serious compared with the recession in the manufacturing sector. Farm output totaled BYR 136.7 trillion, which represents a decrease by 2.8% from the level reported in 2014. The figure

<sup>2</sup> Foreign trade in goods in 2015. *National Statistical Committee of the Republic of Belarus*. Web. 28 Feb. 2016. <[http://www.belstat.gov.by/en/ofitsialnaya-statistika/macroeconomy-and-environment/vneshnyaya-torgovlya\\_2/operativnye-dannye\\_5/foreign-trade-in-goods-in-2015/](http://www.belstat.gov.by/en/ofitsialnaya-statistika/macroeconomy-and-environment/vneshnyaya-torgovlya_2/operativnye-dannye_5/foreign-trade-in-goods-in-2015/)>.

<sup>3</sup> «Итоги деятельности ОАО за III квартал 2015 г.» *Министерство финансов Республики Беларусь*. Web. 28 Feb. 2016. <[http://www.minfin.gov.by/ru/securities\\_department/results/results\\_oao/](http://www.minfin.gov.by/ru/securities_department/results/results_oao/)>.

represents the joint performance by the *two* components of Belarus's agriculture – cattle breeding and crop production. While the former showed an impressive growth, by 5% on the level recorded in 2014, the latter encountered major challenges and saw a decrease in output by 10.5% from the previous year.<sup>4</sup>

In 2014, the Belarusian cattle-breeding sector reported a new record high in milk production, with 6.635 million tons, an increase by 6.3% from the year 2013. Cattle and poultry production expanded even more, by 6.5%, to 1.649 million tons. Yields improved as well: the average milk yield increased by 226 kilograms, and the average gain in weight in pigs and cattle rose by 29 grams and 1 gram, respectively. Importantly, positive changes were reported amid significant cuts in state support for the sector. The largest Belarusian dairy and meat producers became regional leaders.

The Presidential Administrative Department, which has consolidated about *twenty* dairy farms (Agroholding *Mačulišcy*, *Maločny Hastiniec*, etc.), became the leading dairy producer in the former Soviet Union. With a 30% share of Belarus's market for poultry meat, the holding controlled by Mahilioŭ businessman Jaŭhien Baskin (*Servolux* and *Smaliavičy Broiler*) is among the top-*eight* producers in the EEU.

In crop production, output dropped in almost all sectors – Belarus's grain and legume harvest went down by 9.5% year-on-year, potato production fell by 13%, vegetable output decreased by 16.9%, flax fiber output was down by 16.2%, and sugar beet harvest fell by 31.3%.

The food embargo that Russia extended in June 2015 (while adding new items to the list of banned foods) gave an impetus to the development of some agricultural businesses, such as vegetable cultivation under cover, seafood processing, and cheese-making. Belarus became a major importer of Norwegian fish, which is subject to Russian food counter-sanctions.

<sup>4</sup> «Продукция сельского хозяйства по категориям хозяйств.» Национальный статистический комитет Республики Беларусь. Web. 28 Feb. 2016. <[http://www.belstat.gov.by/ofitsialnaya-statistika/realny-sector-ekonomiki/selskoe-hozyaistvo/osnovnye-pokazateli-za-period-s-\\_\\_po-\\_\\_\\_gody\\_6/produktsiya-selskogo-hozyaistva-po-kategoriyam-hozyaistv/](http://www.belstat.gov.by/ofitsialnaya-statistika/realny-sector-ekonomiki/selskoe-hozyaistvo/osnovnye-pokazateli-za-period-s-__po-___gody_6/produktsiya-selskogo-hozyaistva-po-kategoriyam-hozyaistv/)>.

Additional investments were made in fish processing to boost supplies to the Russian market. Brest-based *Santa Bremor* was actively involved in the business, and the little-known company *Belrosmoreprodukt*, founded by Russia's *Morskoy briz* and Belarusian Federation of Modern Pentathlon, became a major exporter of seafood to Russia's *Magnit* and *Auchan* retail chains.

However, food exporters saw their profits slashed by ruble depreciation trends. Despite the 18.5% increase in supplies of powdered and condensed milk in volume terms in 2015, export proceeds dropped by 27.4%, or by USD 187 million. Export of cheese and curd cheese went down by USD 169 million, and of sausage by USD 113 million. Rosselkhoznadzor's tighter controls on the state border between Belarus and Russia became a serious challenge for many Belarusian producers.

### Services: American-Asian IT dimension and first Belarusian billionaire

The surplus of Belarus's trade in services in 2015, at USD 2.323 billion, brought about the *third* overall surplus of the country's foreign trade in the history of Belarus, at USD 205.7 million (after the years 2005 and 2012). One of the fastest-growing sectors was the Belarusian IT industry, which last year was showing a rapid growth due to its focus on the growing markets of North America and Southeast Asia.

The fall in export proceeds in the CIS prompted the last major Belarusian IT company that used to have no office in the U.S. – *ScienceSoft* – to shift its focus to the North American market and open an office in Texas. In 2015, *four* companies owned by Belarusians were found in the Top-5,000 fastest-growing private businesses in the U.S. The main criterion for *Itransition*, *Coherent Solutions*, *Oxagile* and *Intetics* to be included in the Inc. 5000 List was their growth in revenues over the past *three* years.<sup>5</sup>

Last year, the Belarusian IT industry was characterized by a turn towards the Southeast and South Asia. Belarusian investors

<sup>5</sup> “Inc. 5000 2015: The Fastest-Growing Private U.S. Companies, At a Glance.” *Inc. Magazine*. Web. 1 Mar. 2016. <<http://www.inc.com/inc5000/>>.

were attracted by cheap workforce, large markets, and promising startups.

*ScienceSoft*, one of the *ten* largest residents of the High-Technology Park, last year opened a new office in Hanoi, the capital of Vietnam, with a view to reaching out to U.S. and Japanese customers and cutting costs. EPAM Systems completed another acquisition transaction and for the first time ever bought *two* development offices in India employing 1,200 Indian programmers. *Wargaming*, a developer of multiplayer computer games, invested in a Taiwan-based distribution office.

By the end of 2015, venture capital investments by *Fenox Venture Capital* controlled by Vital Arbuza had reached an estimated USD 400 million. Half of the 80 startups he financed in the past *four years* are in Asia – Indonesia, Singapore, Malaysia, Thailand, Bangladesh, and Japan. *Bloomberg* calculated profits generated by Belarusian IT companies in the past few years and reported that Viktor Kisly, the founder and co-owner of *Wargaming.net*, became the first ever Belarusian billionaire over the *five-year period*.<sup>6</sup> The company operates offices in Belarus, Ukraine, Russia, France, the U.S., South Korea, Taiwan, Japan, Singapore, and Australia and employs approximately 4,000 specialists. According to *Bloomberg*, last year, *Wargaming.net* netted USD 590 million in revenues, and Kisly's personal wealth exceeded USD 1 billion.

## Conclusion

The unfavorable forecast for oil and potash prices makes the situation in the economy increasingly dependent on external borrowing – from Russian and western lenders. The new cabinet, formed in late 2014, is supposed to put in place relevant, albeit unpopular measures to enhance the efficiency of the Belarusian economic model and eventually improve the country's relations with the IMF and other international institutions. Should social tensions grow, modernization might slow, and cabinet members

<sup>6</sup> "World of Tanks Video Game Mints a New Billionaire from Belarus." *Bloomberg Business*. 25. Feb. 2016. Web. 2 Mar. 2016. <<http://www.bloomberg.com/news/articles/2016-02-25/world-of-tanks-video-game-mints-a-new-billionaire-from-belarus>>.

will be replaced with conservative ministers. Belarus will likely lose all sources of external resources alternative to those Russian, which will further complicate the economic situation.

The government is expected to be making specific effective moves to modernize the national economy; however, it cannot disregard the opinion of the industrial and agricultural lobby and is short of competencies and expertise required in conditions of the global transformation of the world economic landscape. Russian and Ukrainian specialists objectively have better competencies. Private business owners and foreign specialists might be invited to the government as its members or advisors.

The situation will keep deteriorating in the traditional sectors of the Belarusian economy, except for some industries (pharmaceutical sector and instrument engineering). Under the circumstances, the authorities might opt for big privatization moves to gain additional resources. Russian oil majors and some European partners are interested in oil processing, whereas private Belarusian business and investors from China, India, and Latin America will be eager to buy into mechanical engineering companies. Belarus still has some privatization edge in the former Soviet Union: the state still owns the country's key assets and is capable of consolidating them to ultimately sell them the way potential investors want them.

Bankruptcies will persist in the private sector, alongside increasing numbers of M&A deals. In 2014–2015, many companies hit the bottom, and their owners are ready to sell. High costs will slow down the expansion of the outsourcing sector of the Belarusian IT industry. Market players will seek ways to cut costs and open offices in countries with cheaper workforce – India, Pakistan, Bangladesh, Vietnam, or even Poland and Lithuania.

The food sector will continue developing fast in 2016, with at least *ten* companies already offering competitive products in various segments of the global market. The IT industry will attract new players due to low entry fees, mobility, and relative independence from the state.



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