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**A survey and analysis of developments
in the Republic of Belarus
in 2012**

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EDITORIAL FOREWORD

Belarusian Yearbook is a long-term joint project of the expert community of Belarus. This publication is an annual integral analysis of the essential spheres of the state and society. *Belarusian Yearbook-2012* reflects the limited socio-political and economic dynamics of Belarus, limited to the effect that the fundamental framework of the country's development remains invariable – self-preservation of the authoritarian personalistic regime of Alexander Lukashenko.

In the sphere of state authority (government) almost all analysts observe the increasing tendency of the Presidential Administration to monopolize governmental (administrative), legislative, political, ideological and other functions, its attempts to substitute governmental structures, including the Foreign Ministry and the parliament. Since December 2012, a number of authority powers have been redistributed in favour of law-enforcement bodies, which have subjugated the judicial branch. Therefore, the tendency of “narrowing of the state” described in the 2011 issue – when the decision-making authority is being concentrated in hands of a gradually narrowing group of people who bear no responsibility for implementing the decisions – continued to develop.

Parliamentary elections 2012 proved that the system of electoral manipulations is stable and the authorities retain total control over the election process. Democratic forces failed to reach unity and benefit from the parliamentary elections, which questions their ability to take advantage of the presidential election 2015 for political transformations.

Concentration of power resulted in the deficit of technical, financial and personnel resources that are essential for the burning political and economic reforms. The authorities hesitate to abandon the model of “a socially-oriented state” but develop no integral plan of the country's development, which results in narrowing the zone of the state's social responsibility, i.e. spontaneous commercialization of public services (education, health care, etc.) and gradual reduction of social transfers.

Sociologists observe that the population tend to adapt to the economic conditions that formed after the triple devaluation of 2011. Despite the attempts to curb the financial crisis and raise the income of the population, electoral ratings and the level of the confidence in the authorities have stagnated. Besides, sociologists register growing pro-European and reducing pro-Russian moods.

The year 2012 is the year of "inertial" post-crisis¹ development of Belarus. The economic crisis as a form of painful remedy against the accumulated macroeconomic disproportions did not resolve the basic problems of the Belarusian socio-economic model, whereas the positive effects of the devaluation of the national currency were exhausted already in the first six months. Having no better strategy, the economic authorities returned to the "time-tested" policy of inflationary growth. All other critical tendencies that formed in 2010–2011 were curbed in the similar manner, i.e. by attempts to restore the previous situation (the conventional "restoration point" is December 2010).

The major trends of the year 2012 are the following:

- Institutional transformations: "narrowing of the state," increasing role of the Presidential Administration and security agencies;
- Imbalances in state authority: uncoordinated actions of the Presidential Administration, the government and the National Bank;
- Crisis of the state policy that shows itself in failure to propose a minimal program of reforms and any program for the future whatsoever;
- Increasing foreign-policy and economic dependence of Belarus on Russia;
- Narrowing social obligations of the state;
- Stagnation of electoral ratings and indicators of confidence in the authorities;
- Return to the pre-crisis policy of increasing incomes, search for new sources of long-term growth;
- Reduction of able-bodied population, increased temporal labor migration, outflow of manpower.

¹ The financial and economic crisis of 2011.

Contributing to this *Yearbook* were independent analysts and experts, as well as specialists representing various think tanks, including the Belarusian Institute for Strategic Studies (BISS), the Institute for Political Studies *Palityčnaja Sfera* (*Political Sphere*), the Research Center of the Institute for Privatization and Management, the Agency of Humanitarian Technologies, NOVAK Axiometrical Research Laboratory, the Belarusian Analytical Workshop (Warsaw, Poland), the Independent Institute of Socio-Economic and Political Studies (IISEPS), the Belarusian Economic Research and Outreach Center (BEROC), the Centre for Eastern Studies (Warsaw, Poland), the Poleski Fund of International and Regional Studies (Chernihiv, Ukraine), *eBelarus* Research Center, Agency for Social and Political Appraisal, the website of the expert community of Belarus *Nashe Mnenie* (*Our opinion*).

Valeria Kostyugova
Anatoly Pankovsky

STATE AUTHORITY

THE ADMINISTRATION OF THE PRESIDENT: BETWEEN SCYLLA OF THE SOCIALLY ORIENTED ECONOMY AND CHARYBDIS OF THE "WILD" OLIGARCHY

Nikolai Burov

Summary

For the Administration of the President (AP) the year 2012 became a year of uneasy search for a new idea which would legitimize the country's currently occurring transition to full-fledged state-oligarchic capitalism which is supposed to replace the socially oriented economy. During this year the AP and the Government managed to stabilize the social and economic situation in the country and remove from the agenda the question of immediate radical reforms of a neoliberal nature.

Alongside with these measures the AP initiated a number of activities in order to reduce government expenditures on the social sphere including expenditures on favorable terms of housing credit program and on the public administration apparatus. Also, the AP suggested to increase the prices of the communal and health protection services and made certain steps to reform the pension system. Simultaneously certain measures were arranged to prevent a "specialists' drain" from Belarus.

The concept of modernization was proposed by the AP in order to justify the social responsibilities of the state. Nevertheless, this concept did not acquire any specific content. During the whole year due to the actual redistribution of resources in favor of bureaucratic circles the AP did not decide on changing economic policy and starting political reforms.

Trends:

- The AP's reluctance to reject finally the socially oriented economy as well as to recognize the actual formation of the state-oligarchic capitalism in Belarus;
- The ideological vacuum and absence of the comprehensive plan of the country's development in new circumstances; the imitation of the "reformist" discussions which can have any goal except conducting actual reforms;
- The beginning of the gradual isolation of the AP as a public administration agency due to the increasing unconformity with the interests of ordinary people, business and administration circles.

Searching for a new image of the country

To a large extent the AP's activities in 2012 were defined by the consequences of the year 2011 which were catastrophic for the

Belarusian model of development. Due to the unprecedented economic support by Russia the AP and the Government managed to stabilize the social and economic situation in the country and remove from the agenda the question of the immediate radical reforms of a neoliberal nature. Nevertheless, the AP understands perfectly that the state is not able to conduct large-scale social policy any more. To an increasing degree the expenditures on education, health care, and communal services are being transferred to ordinary people.

Contrary to the previous year, in the year 2012 the AP itself took an active part in this process. For example, on January, 6, 2012 the decree No.13 *On certain issues of providing citizens with state support for construction (reconstruction) or acquisition of housing units* was signed. Actually, this decree abolished the extremely favorable terms and conditions of the housing credit program which was subject of special pride for the Belarusian authorities. After a certain period of time the employees of the security and military forces had been excluded from the Decree, which emphasized the nature of the new policy in Belarus.

There were attempts to reform the pension system in order to reduce government expenditures and increase the actual pension age. The AP was an initiator of these innovations. A course for gradual increasing the prices in the spheres of health care and communal services was set which is supposed to be implemented fully in the years 2013–2014.

The AP understands perfectly that the price increases should be compensated with a growth in incomes of ordinary people. Also, the AP digested perfectly the lesson of the year 2011. During the whole year 2012 Mr. Lukashenko at least once a month held a special meeting either with the Head of the National Bank Nadzeya Yermakova or with the Head of the Government Mikhail Myasnikovich on the situation in the foreign exchange market. It should be emphasized that the AP paid such a careful attention to a possible devaluation of the national currency in spite of the fact that the year 2012 was extremely favorable for Belarusian foreign trade.

The AP also understands perfectly that gradual reducing the socially oriented policy with the simultaneous intensification of

the integration process in the post-Soviet space will unavoidably cause a serious "specialists drain" from Belarus which can dramatically threaten the country's infrastructure. In contrast to the previous years which can be characterized with the motto "if you don't like anything in your job – resign," nowadays the AP takes serious measures in order to reduce the rate of the "specialists drain." Besides such traditional measures as growth of the average salary to the notorious 500 USD and intensifying work on the people applications (since January 22, 2012 the new law *On the work over the applications of citizens and legal entities*, which simplifies significantly the procedure of submitting applications) a new, completely unexpected for the country, mechanism was added: an actual prohibition to resign from certain job positions (the decree No.9 of December, 7, 2012 *On certain measures on woodworking industry development*).

The AP understands completely the insufficiency of the taken measures. The refusal from the socially oriented model should be compensated with a new motto or idea which would hide the real meaning of the occurring processes of the transition to full-fledged state-oligarchic capitalism.

Deus ex machina: modernization

The idea of the country's modernization became this very idea which is promoted actively by the head of state. Certainly, this term had previously been used by high-ranking Belarusian officials, but it is the year 2012 when the term was used to define the policy which the AP tries to conduct. Modernization is supposed to embrace both the political and economic spheres and, according to the statements of the Belarusian leader, has to become a kind of *deus ex machina* which will solve all problems of the country's development at once.

Nevertheless, the AP's idea on modernization is rather vague. For example, different experts pointed out that the Belarusian authorities considered modernization as simple re-equipment and rehabilitation of enterprises while in many cases this process transforms into illegal application of public funds and increasing pressure on enterprises' employees. Gradual transfer of social expenditures from the state budget to ordinary people

and preservation of the generally ineffective economic administration system can be added to this short list.

The idea of political modernization is not less vague. The discussions about a political reform were initiated by the AP in 2011 but have not lead to any significant results.

The year 2012 began with Mr. Lukashenko's statements about his readiness to modernize the Belarusian political system (for example, in an interview with Chinese media on January 17, 2012). Then, similar statements were made by the president regularly and became an integral part of all his public speeches. The discussions about a political reform became especially important in connection with the parliamentary elections in 2012 and attempts to restart the dialogue with the West after the events of December 19, 2011. However, an analysis of the president's speeches reveals that substantial ideas about political modernization are hard to find. The numerous speculations about a possibility to introduce a party list electoral system were not implemented and the head of state himself emphasized repeatedly that such system was premature for Belarus. Moreover, there is no significant progress in the dialogue with the political opponents.

The parliamentary elections in September, 2012 became the most prominent evidence of the authorities' desire to preserve the status-quo. As well as the previous elections to the National Assembly they were organized under the AP's full control and their scenario was traditional for Belarus: the future MPs were previously approved, the president's desire on 30% of women presentation in the Parliament was implemented, the most experienced and reliable MPs saved their mandates etc.

Nevertheless, in public Belarusian high-ranking officials do not deny the possibility of introducing a party list electoral system in the distant future. Certainly, the discussions on this problem will become more active simultaneously with progress in the relationship with the West. In this connection it is necessary to note the serious personnel change in the AP which was expected by a lot of experts: the head of the AP Uladzimir Makei was discharged from the office and appointed as the Minister of foreign affairs. In the system of the Belarusian public administration hierarchy it is considered to be an abasement but from

the point of view of the "pendulous" foreign policy which was being conducted by the AP till the end of 2010, it is certainly a wise step. It is not a secret that the Belarusian Ministry of Foreign Affairs is an actual subdivision of the AP. That is why the personality of the new ministry is supposed to demonstrate to the European partners the desire of the official Minsk to strengthen the Western vector in its foreign policy.

Simultaneously it was managed to prevent the appointment of a clearly pro-Russian candidate as the head of the AP. It seems that Andrei Kobiakov symbolizes the transitional moment in the development of the country's policy: from the socially oriented economy to the state-oligarchic capitalism.

In 2012 contrary to the illusive party reform the AP announced the real reform of the state apparatus. Its essence is to reduce the number of public officials on 25–30% and with the saved money increase salaries of those officials who will continue to work. It is planned to reduce primarily the desktop administrators ("more at the top, less at the bottom" as Mr. Lukashenko explained) as well as to decrease the number of the public agencies' functions. A special committee headed by Andrei Kobiakov and Natalia Petkevich was created for reform preparation. Nevertheless, there is a lack of necessary and accurate information about these reforms. It can be suggested that the reforms will be replaced by a new stage of the struggle between different administrative and economic groups.

What is to be done?

The traditional scenario of the parliamentary elections, the attempts to restart the "pendulous" foreign policy, the limitation of the public administration system reforms, the reversion to the motto "500 USD for everybody," the image of the president as the "severe and sound steward" from the 1990s are evidence of the serious stagnation at the AP. Three the most vivid manifestations of this stagnation can be detached in the year 2012 which should also become a serious signal for the authorities.

First of all, Lukashenko's rating is a relatively low – about 30%, in spite of the significant income growth of the population in 2012. Almost all sociologists believe that it is impossible to

return to the "social contract" in Belarus. Moreover, it is also believed at the AP. However, the attempts to create a new image of the president failed.

This is illustrated remarkably with the second vivid event which proves clearly the growth of the crisis in the administration system: on December, 17 during his visit to the OJSC *Kamvol* Mr. Lukashenko ranted at the officials and fired the enterprise's director. Literally after several days the former director became the technical director at *Kamvol*. Certainly, this fact does not prove the crisis of power itself but it is a clear signal about the inefficiency of the former methods of administration and about the final formation of the bureaucratic-clientele structure of the Belarusian society.

The latter circumstance is related to the third vivid event: the appointment of the former head of the National Bank Pyotr Prakovich as the President's assistant (August) and the actual restoration of Viktor Sheiman's positions (autumn – winter 2012). It proves not only the serious personnel problems but also the increasing of the AP's inability to affect the internal struggle among Belarusian elite groups. There is certain evidence of bureaucratic privatization even contrary to AP's position.

The following conclusion can be made with a certain measure of caution: it seems that the year 2012 became the first year of the beginning of the gradual isolation of the AP in the Belarusian political field. The people want changes, the elites want the changes, and business circles want changes. But only the AP even realizing the necessity of these changes banks stubbornly on the pressure and traditional administration methods of the 1990s and early 2000s.

Conclusion

As well as in 2011, the Administration of the President did not succeed in preparing any suitable plan of reforming the failed socially oriented state. The announced reforms and modernization do not have any actual content and are primarily the consequences of the struggle between the Belarusian elites. Unfortunately, they cannot be considered as attempts to lead the country to a new stage of development. The "cleaning up"

of the Belarusian political field which was carried out in 2011 as well as toughening control over the elites have weakened paradoxically the AP itself. Nowadays, it has to cope with those elite groups which form the main support for the current president.

THE GOVERNMENT THAT HAS NO FEAR

Ina Ramasheuskaya

Summary

In 2012, the government as usual played second fiddle to the Presidential Administration, and even the few top ranking officials who used to be thought of as “cautious reformers” seem to have lost any hope of lobbying any changes whatsoever. At the same time, the government stopped taking even remotely seriously the non-stop “last warnings” coming from the president as it became obvious that no government – no matter how talented – could achieve the socioeconomic targets set for the year 2012.

The scant attention paid to the “most ruthless commands” and “final warnings” obviously did not escape the Head of state’s notice and led to the record number of “on the spot” dismissals.

The president’s growing concern was also caused by visibly shaping alliances between directors of state-run enterprises and government officials who were cautiously lobbying privatization, often on behalf of Russian businesses.

The government led by prime minister Myasnikovich focused on three major tasks: (1) to keep looking for external sources of financing, (2) to “buy” the loyalty of the directors’ corps as potential partners in privatization programs (carried out under the guise of modernization), and (3) to retain control over the socioeconomic situation.

Trends:

- The deepening crisis of relations between the government and the Presidential Administration, with the signs of the government neglecting the president’s instructions;
- The continued public policy crisis where the few reformers in the government still have their hands tied and the government overwhelmingly busy maintaining the feeble *status quo*;
- The imitation of modernization efforts aimed at replacing the ideological model of a social (welfare) state losing its economic foundation, and infusing enthusiasm in the bureaucracy and directors’ corps.

Looking for external sources of financing

The problem of external funding arose again in all its acuteness in mid-2012, when it became apparent that Russia would not be able to shush the media uproar about the “solvent and diluent

business" without serious damage to its image.¹ Around the same time, upbeat media reports on the speedy recovery of Belarus' economy thanks to the streamlined governmental regulation and effective work of public officials, once again were replaced by explanations for the need to seek external funding.

Although the regular tranches from the EurAsEC Anti-crisis Fund were coming almost in time – without regard to Belarus fulfilling (or rather failing to fulfill) its obligations before the Fund – the country was once again experiencing a widening trade deficit and therefore needed to secure external financing to cover the gap. Already in August the Prime Minister expressed his dissatisfaction of his officials' performance and the way public funds were used by state-run enterprises.²

Also around this time the Cabinet publicly proclaimed the necessity of a large-scale upgrade of Belarus' production capacities. Meanwhile, the old controversies between the president and the government – on where the funds for this monetization and also for maintaining the living standards should come from – were stirred up again. Myasnikovich in particular continued to stress the need to attract foreign investments and carry out privatization, whereas the president insisted that it is possible to boost hard currently earnings through increased exports. Several times it came down to direct refutations of each other's statements. For instance, during the Investment Forum in November, Myasnikovich said that "following the president's instructions, the government lifted all restrictions on the privatization of state-owned enterprises ... Any enterprise can now be privatized." Barely a day later Lukashenko refuted this statement by claiming that only a few select enterprises are available for privatization."³

Finally, the president's position on the funding source prevailed, at least verbally. When meeting with students of the Belarusian State University of Informatics and Radioelectronics

¹ V Belorussii vypuskayut razbaviteli rossiyskogo byudzheta ['Belarus produces Russian budget diluents']. *Novaya Gazeta*. Retrieved from <http://www.novayagazeta.ru/politics/52221.html>.

² http://www.belta.by/ru/all_news/economics/Mjasnikovich-potreboval-uskorit-modernizatsiju-belorusskix-predpriyatij_i_606135.html

³ <http://bdg.by/news/economics/18988.html>

in late December (literally on the next day after coming back from Moscow), Lukashenko announced that the Russian government agreed to allocate USD 2 bn for modernization of Belarusian enterprises.⁴

"Modernization" program

On three occasions in 2012 – in February, May and June – the government gave government agencies the deadline of one month to produce comprehensive plans for modernization of existing production facilities and creation of new ones.⁵ "Every enterprise should have a modernization plan," Mikhail Myasnikovich said. "All plans should be individualized, but at the same time have shared goals and output targets that can be monitored."⁶ The Cabinet's resolution issued in September assigned the key enterprises to individual high-ranking officials personally in charge of modernization there.⁷ Special emphasis was put again on investment projects: the premier insisted over and over again that the enterprises should secure external sources of funding through their own efforts instead of relying on the state budget as they are used to.

Throughout the autumn, Myasnikovich wooed potential investors, both abroad (in Vietnam, Myanmar, Kazakhstan, India, and Bangladesh) and at home. What he said to them during this period could be perceived as a cautious suggestion to bypass the president's absolute authority on approving investment projects.

For instance, at the VII Belarusian Investment Forum in Minsk the Prime Minister suggested that investors address him personally with proposals and questions. "Please contact my office should you encounter any problems with investment projects, or if you have any suggestions how to improve the investment process. Let me know if you have an idea for investment project. Write me about that," he said. Economy

⁴ http://www.gazeta.ru/business/news/2012/12/21/n_2676529.shtml

⁵ http://www.belta.by/ru/all_news/economics/Mjasnikovich-potreboval-uskorit-modernizatsiju-belorusskix-predpriyatij_i_606135.html

⁶ <http://belapan.com/archive/2012/12/10/593293/>

⁷ <http://www.government.by/ru/solutions/1879>

Minister Mikalai Snapkou echoed the Premier during the Global Entrepreneurship Week. He called on investors "not to politicize routine business processes" and "not to bother the country's leadership."

Judging by the frequent statements that "nomenklatura privatization" and "attempts to sell the country" would not be tolerated Lukashenko did realize that the modernization program could pave the way for loosening Presidential Administration's centralized control over the bureaucracy and directors' corps. Not coincidentally, throughout the year, especially in its second half, the president made frequent trips to the regions visiting state-run enterprises where managers were fired and appointed with a stroke of the pen.⁸ However, despite such harsh steps and promises of the most brutal punishments in case of failure, one could not escape the impression that all those fireworks no longer made the subordinates shiver. It often turned out that the fired directors continued to work as if nothing happened, and nothing really changed at the poorly managed enterprises.⁹

The Head of State also tried to stimulate enthusiasm of officials financially as he sensed that public excoriations no longer have the desired effect. Pay rises under the pretext of eliminating redundant staff were discussed all year round, and top ranking officials were given new extra earning possibilities through memberships in a variety of supervisory agencies, councils and banks all the time.

Retaining control of the socioeconomic situation

The clash of opinions between the government and the president became even bitterer by the end of the year. Addressing the audience at the Investment Forum in November, Mikhail Myasnikovich said that the real GDP growth will differ from the forecast at the year's end, but emphasized that the government prioritize quality over quantity. "Small fish are sweet. We should have real economic growth. We believe

⁸ <http://afn.by/news/i/175369>

⁹ <http://www.belaruspartisan.org/economic/226278/>

this year Belarus' economy will recover, so our paramount goal is to ensure steady economic growth, real economic growth," he said.¹⁰

However, while hearing Myasnikovich's report just a few days later, the president shook this assuredness off the premiere and demanded in a categorical manner to comply with all the targets set for 2012, especially GDP growth. The prime minister assured the president that all his orders would be executed without fail, although by that time GDP growth in the first ten months made up 2.5%, and no miracle could bring it up to the planned 5.5% in the remaining two months.¹¹

The miracle of course did not happen, and the GDP growth rate was still at the level realistically expected by the government at the end of 2011. Surprisingly, the government – and the premier – retained their jobs, and in early 2013 the president strongly denied that he ever tried to influence the government's economic plans in any way.¹²

When it came to foreign investors, the government and Myasnikovich personally had to smooth down image-damaging effects of the presidential decision on the nationalization of confectioneries *Kommunarka* and *Spartak*, which contravened the law, interpreting it as a one-time and carefully thought-out step.¹³ Despite Myasnikovich's assurances, this nationalization apparently left potential investors shocked. Belarus' greatest attraction – the possibility of high returns secured by "special" business relationships – showed its downside.

The high rate of real unemployment and its consequence – labor leaving the country – did not discomfort the government much despite clearly being a time bomb for the national economic development. It looked like the government has accepted the outflow of in-demand specialists like builders, doctors

¹⁰ http://www.belta.by/ru/all_news/economics/Ekonomika-Belarusi-obespechivaet-realnyj-i-stabilnyj-ekonomicheskij-rost-Mjasnikovich_i_615529.html

¹¹ <http://belapan.com/archive/2012/11/20/588886/>

¹² <http://news.tut.by/politics/330346.html>

¹³ http://www.belta.by/ru/all_news/economics/V-Belarusi-ne-budet-nikakoj-revizii-sobstvennosti-inostrannyx-investorov-Mjasnikovich_i_615484.html

and teachers as a necessary evil and even tried to find a bright side in that.¹⁴

In the social sphere, Vice Premier Anatoly Tozik was the major newsmaker of the second half of the year. Tozik served as ambassador to China in 2006 – 2010, and made himself a name as a propagandist of China's experience in different areas of social policy. His statements about eradication of welfare dependency, reduction in the number of free-of-charge services provided by the state, termination of funding of higher education for the professions which he claimed the state does not need caused much alarm as they were inconsistent with the government's social policy (at least the one proclaimed officially).¹⁵ He declared that "the social sector no longer had the right to burden the real sector of economy" which gave many analysts a reason to say that the socially oriented model of Belarusian state begins to give way to an industrial and, particularly, export oriented model.

In none of his numerous speeches the Head of State took an issue with the vice-premier's controversial statements (until spring 2013).

In one stark example, at the meeting with students of the Belarusian State University of Informatics and Radioelectronics in December Lukashenko raised the question of the cost of education in Belarus. "We should slow down the increase in tuition cost. Because we have already inflated the price of education so much that we will soon be ahead of the rest." The government however ignored this hint. The yearend saw another rise in tuition fees. When asked by reporters how this was consistent with the position of the Head of state, Minister of Education Siarhei Maskevich said there are no resources to cut the fees, and there was no need either.¹⁶

¹⁴ http://www.belta.by/ru/all_news/economics/Belarus-mogla-by-imet-dox-od-ot-trudovoj-migratsii-stroitelej-Mjasnikovich_i_613970.html

¹⁵ http://www.belta.by/ru/all_news/society/Tozik-schitaet-krajne-vazhnyj-ujti-ot-izlishnej-opeki-ljudej-gosudarstvom_i_619109.html

¹⁶ <http://n1.by/news/2012/12/22/506340.html>

Conclusion

In 2012, the public administration in Belarus was still concentrating on preservation of the *status quo* despite the repeated statements about the planned modernization of the country. Interests of top officials seemed to clash with the interests of the political leadership. Their future relations will be almost entirely determined by Russia's position on privatization of Belarus' key enterprises.

If the Russian government chooses to maintain the policy of granting loans to Belarus with minimum obligations, the top-level bureaucracy and directors would not be ready to openly protect their own privatization interests, instead preferring to participate in the distribution of funds under the guise of modernization programs. The balance of power between the political leadership and the government may be seriously disturbed should the Russian authorities pressurize Belarus to make it surrender — in one form or another — the most attractive enterprises to Russian companies in exchange for loans and other kinds of economic support. Once a sufficient number of officials come to the conclusion that Belarus almost completely depends on the attitude, or, to be more exact, the appetite of the Russian leadership, they are likely to attempt to secure their future well-being by lobbying and advancing interests of Russian companies. It will be clear to what extent these aspirations are common among top ranking officials in the Belarusian government as soon as in mid-2013.

Public administration development in Belarus is thus entering the phase of uncertainty. It is premature yet to talk about a split inside the ruling elite, but the very fact of doubting its integrity already reflects a fundamentally new situation. The top bureaucracy does not look ready enough to unite and stand up for a common position, and moreover, there is no reason to assume that it will happen any time soon. At this stage, it is clear that the government lacks strong-willed reformers capable of sacrificing political leadership's favor for the sake of pushing through the needed reforms.

The increasingly clear aspiration of the bureaucracy to make personal provision for the future and explore all possible op-

tions to secure their own prosperity was the most serious negative trend of 2012, which is likely to continue in the coming year as well. The situation of 2013 will depend on what Belarusian "apparatchiks" will choose as the most promising option: the good old-fashioned tapping Russia for loans, privatization (nominal or formal) in collaboration with directors, or privatization enforced by Russia.

SECURITY AGENCIES: THE RISE OF NEW ELITES

Alexey Medvetsky

Summary

The past year showed that president Lukashenko enjoyed enough confidence of security ministries and had enough tools to carry out a gradual and painful reform of law enforcement agencies. Nothing suggests that security officials will stand against the country's top leadership considering that the president has neutralized all groups he did not control. Alexander Lukashenko, who stays the one and the only (since 2012) protector of security officials' interests, has always had the final say in everything that is going on inside the top echelon, which is probably one of the reasons why the entire system is that shaky. All Belarusian entities face great risks due to this configuration, and the chance of presidential transition in the mid-run gets slimmer should the president lose control over the state.

Trends:

- controllability of the security, defense and law enforcement system by Alexander Lukashenko who, in turn, is more and more dependent on the security elites;
- political elimination of rival clans, which reduces the probability of presidential transition in Belarus;
- growing elitism of security, defense and law enforcement officials in the government and society.

1. President Lukashenko is the only guarantor of securocrats' interests

The reform of the law enforcement agencies started in Belarus in late 2011 is still in progress. The first stage of formation of the Investigative Committee, which was fully staffed by the end of 2012 with Valantsin Shayeu at the helm, was completed.

The second stage was entered in 2012 with reorganization of the largest force – the Ministry of the Interior – under the direction of the new minister, Ihar Shunevich. The first stage has already resulted in appreciable statistical improvements, such as fewer groundless criminal cases and higher quality of pretrial investigation, whereas the reform of the Interior Ministry is still far from being completed in many respects due to

the ambitious plans to reduce the staff and restructure the police.

The crime rate was down in the republic last year. The total number of reported offences reduced considerably year on year from 132,052 to 102,127 (22.7%). The rates of most serious and serious crimes were also down from 1,846 to 1,685 (8.7%) and 9,467 to 6,815 (28%) respectively.¹ Most likely, creation of the Investigative Committee was the reason, because different departments are in charge of operative search and investigation from then onward that increased responsibility of the officers.

For instance, in the first half-year of 2012 alone, prosecution was dismissed in more than 9,000 criminal cases. The quality of preliminary investigation has reportedly improved and the lower number of cases, which the Prosecutor's Office returned for repeated preliminary investigation, is referred to as an indicator². This proves that the new chiefs of the major enforcement agencies appointed by the president, specifically those heading the Prosecutor's Office, Investigative Committee and Interior Ministry, cope with the dual task: they control the reform and fight crime, light-fingered businessmen and public officers being one of the targets.

Two landmark incidents however stand out against this rosy background. They reveal the in-system vulnerability of three other departments at once — the State Boundary Committee, Defense Ministry and State Security Committee (KGB), and the way those gaps were filled up shows that incumbent President Lukashenko stays the only guarantor of coordinated interests of the security elites.

1.1. System vulnerability in air boundary protection

A light plane piloted by two Swedes illegally entered the Belarusian airspace from the Lithuanian side on July 5, 2012, parachuted several hundred teddy bears on the cities of Ivianec and Minsk and went back to Lithuania. The stunt performed by Swedish advertising agency *Studio Total* assisted by the editori-

¹ <http://prokuratura.gov.by/?guid=93865>.

² http://www.ng.by/ru/issues?art_id=68446.

al staff of *Charter'97* website made it into history as the "teddy bear bombing." After a month-long investigation, Alexander Lukashenko dismissed State Boundary Committee chief Ihar Rachkouski and Air Force and Air Defense Commander Dzmitry Pakhmelkin for breach of duty.

Besides, Defense Minister Yury Zhadobin and Chief of General Staff, First Deputy Minister of Defense Pyotr Tsikanouski received a warning for "partial inadequacy for fulfilling the job." State Secretary of the Security Council Leanid Maltsau and KGB Chairman Vadzim Zaitsau were reprimanded. The KGB opened a criminal case on "violation of the state border committed by an organized group" (section 371.3 of the Criminal Code of Belarus).

The scandalous action discovered not only gaps in border-line surveillance, but also poor coordination between Belarusian and Lithuanian guards in charge of the air traffic, specifically on the part of the Belarusian State Boundary Committee, Defense Ministry (air defense) and Aviation Department of the Ministry of Transport and Communications.

Normally, Belarusian frontier guards are to maintain visual monitoring and inform the air defense of any trespassers. According to official reports, coordination between the State Boundary Committee and Defense Ministry was the weakest link that explains why the Swedes did what they did without any interference: the officer on duty did not alert the air defense unit and the plane went there and back unnoticed. In January 2013, the senior warrant officer of Subbotniki outpost, who was blamed for the incident, was sentenced to two years in a medium security penitentiary.

The audacious action was remarkably successful not only in terms of politics, but also considering the media impact. There was an impressive sardonic coverage in Russian and world outlets, whereas Belarusian agencies kept it low profile. As a result, the media scene was filled with narratives about the weakness of Belarus' air defense and even conspiracy theories about an alleged corridor at the western border for half-legal cargo traffic.

Alexander Lukashenko's harsh reaction to the incident showed that he retained enough control over State Boundary

Committee and Defense Ministry to punish them hardly not fearing to undermine the government's power. Dismissals in the Ministry of Transport and Communications and the Aviation Department did not have much publicity and were never linked to the teddy bear airdrop.

1.2. KGB management crisis

Informal sources said in October that an officer of the Minsk inter-district department of the KGB Minsk City and Minsk Regional Office committed suicide. On November 9, the president relieved KGB Chairman Vadzim Zaitsau of his duties, because he could directly or indirectly interfere with the investigation. The situation was obviously extraordinary given that Zaitsau was temporarily replaced not by one of his assistants, but State Secretary Leanid Maltsau. The Investigative Committee and Prosecutor General's Office were in charge of the investigation, after which former Investigative Committee Chairman Valery Vakulchyk took Zaitsau's office.

Judging by what President Lukashenko was telling at that time, the suicide was a tragic reaction to some management conflict inside the KGB during which the officer was under enormous pressure. In particular, the president said that "betrayal of state interests, corruption, and torpidity must be eradicated with a firm hand. But, at the same time, we should trust people, help those in distress."³

There are grounds for believing that the incident was a side effect of the investigative branch reform started in 2011. KGB's investigative scope narrowed down considerably with the rise of the Investigative Committee. The KGB tends to compensate it in other sectors, first of all by repressing illegal migration.⁴ A huge part of informal dominance was however lost that must have led to certain negative impacts inside the agency.

In particular, as a result of the reform, the KGB is no longer in charge of investigating corrupt practices in business and of-

³ <http://www.president.gov.by/press141237.html#doc>

⁴ Medvetsky, A. (2012). Security agencies: Conservative reform. *Belarusian Yearbook-2011*. Minsk.

fenses against property. Following the reform of preliminary investigation, "contraband traffic" and "illegal export or export-oriented transfers of items subject to export control" were the only economic crimes the KGB was still entitled to investigate.

The uneasy transition period and redistribution of influence (archives and informal connections) between the KGB and Investigative Committee objectively threaten the entire defense and law enforcement system and, wider, the system of state administration. Perhaps this threat urged President Lukashenko to intervene in the incident with the KGB officer's suicide quickly and rigidly to avoid increased risks. As in the teddy bear airdrop case, this intervention of the president should be regarded as successful leaving aside the demonstrative and not fully investigated bomb blast near the KGB Office in Viciebsk on November 11.

2. Demystification of the old security elite and the birth of a new one

As concerns present influence groups, demystification of the so-called Viktor Lukashenko group seems to be the major result of the year. The personnel reshuffle conducted by Victor's father and boss, Alexander Lukashenko, revealed that "Victor's group" was in many respects a brainchild of the Belarusian expert community, rather than a really influential and many-tentacle clan.

In particular, the quick and headline-making dismissals of Rachkouski and Zaitsau, and Vakulchyk's urgent transfer to the KGB show that "Victor's group" is first of all an informal club, which can help career climbers, but has no deep roots in their agencies. This looks true considering that the new Investigative Committee Chairman Valantsin Shayeu started the structural optimization right away and closed several monitoring and analytical services in the central and regional offices formed when Vakulchyk headed the Committee. Over 70 officers had to be reassigned to other positions as a result.⁵

The Investigative Committee thus became the strongest and most influential agency in Belarus first of all because it is now in

⁵ <http://www.sb.by/post/142505/>

charge of investigation in most corruption cases, while the Ministry of the Interior loses power turning into an ordinary law enforcement body. Reorganization of the Central Directorate for Combating Organized Crime and Corruption of the Interior Ministry is talked about at the presidential level. The Investigative Committee will most likely take over its functions.

Meanwhile, former workers of the Prosecutor's Office, which supervises investigation by the law, are extending their influence in the Investigative Committee. The new chairman, Shayeu, is a Prosecutor's Office worker in the second generation, and his assistant Shved was deputy prosecutor general till 2011.

The growing elitism of security, defense and law enforcement officials in society has become a tendency. The rules for residential lending amended by decree No.13 in January did not apply to securocrats who still have the right for soft loans at an annual rate of 5%. Then, according to law No.417-3 endorsed on July 13 and effective since September, civil and criminal law cases against defense, security and law enforcement officers fall under the jurisdiction of inter-garrison courts of military justice.

Finally, in 2012, the Interior Ministry Academy stopped admission of applicants to the courses on judicial, procuracy and investigative activities because the Investigative Committee does not need specialists of the 1st step of higher education. In exchange, in August, the Committee established cooperation with the Presidential Academy. An interdepartmental working group was formed in February 2013 with the participation of the chiefs of the main security agencies to reform the entire system of the higher legal education.

Conclusion

The reform of Belarus' elephantine security system is going on pretty well. The distribution of functions between investigative, operative search, and law enforcement agencies creates more favorable conditions for ordinary citizens seeking protection of their rights.

The rise of the elites however poses serious risks. The process is going behind closed doors just yet, and it is tightly controlled by president Lukashenko, who still stays the only coordi-

nator when it comes to competitive interests of the securocrats, and the guarantor of mutual interests in relations between them, the political establishment and businessmen. This configuration is however unsafe because Lukashenko can lose the ability or motivation to perform the mediating functions for any reason and it will be extremely difficult for anyone to take over that poses an increasing risk to both the government and public safety.

The ongoing reform therefore increases interdependence between president Lukashenko and the rising elites that reduces the probability of presidential transition in Belarus to the minimum in the medium term.

ARMED FORCES: DEGRADATION OF THE DEFENSE POTENTIAL

Andrei Porotnikov

Summary

Last year will be remembered as a year of degradation of Belarus' defense potential, which has become critical and can soon be irreversible. The gravity of the situation is not only and not so much in the increasing moral and physical deterioration of arms, but also in the outflow of professionals who can hardly be replaced with highly qualified personnel.

The country leadership still cherishes the illusion that a reliable national security system can be cheap. The low cost and efficiency can be supposedly ensured by the territorial defense, the military-industrial complex, and membership in the Collective Security Treaty Organization (CSTO).

Trends:

- A decrease in the human capacity of the Defense Ministry and general decline in the military potential of the state;
- Still practiced pinpoint procurement of new weapons (small consignments or single items);
- Enhancement of efficiency of the arms in stock by relatively inexpensive modernization or organizational arrangements;
- An increasing role of China as a promising partner in military-technical cooperation;
- Russia's energetic efforts to put the military potential of the CSTO members under control.

Actualization of priorities

In early 2012, the Belarusian military leadership pointed out *three* basic priorities for the year:

- Introduction of home-produced unmanned aircraft systems;
- Organization of territorial defense;
- Ideological propaganda.¹

¹ Zhadobin, Y. *Vooruzhennye sily – vazhneishiy faktor obespecheniya voyennoy bezopasnosti gosudarstva* ['Armed forces: the major factor of safeguarding military security of the state']. Retrieved from <http://vsr.mil.by/2012/02/23/vooruzhennye-sily-vazhnejshij-faktor-obespecheniya-voennoj-bezopasnosti-gosudarstva/>

Only the first one has resulted in success. Development of the UAV Grif-1 with a 100 km action radius was completed and first units will be supplied to the armed forces this year already. The UAVs are provided with all the necessary operational load of domestic manufacture for reconnaissance, search and surveillance, radio electronic warfare, etc. Results of the Grif program will matter for creation of robotized complexes for various applications like information, reconnaissance, and combat operations. Great emphasis is attached to the UAVs. The lack of Belarus-made engines has been a problem so far.²

The territorial defense was also prioritized, but it would be an exaggeration to say that something really working has been created in this area. As a matter of fact, the territorial forces, which it is based on, only exist on paper. In peacetime their command should constitute 1.5% to 5% of the wartime size (i.e. 1,800 to 6,000 people) that envisages a corresponding enlargement of the Defense Ministry. However, its functions were simply distributed among the already existing bodies of military and civil administration as extra employment duties.

Territorial defense specifics require fulfillment of a huge scope of tasks and comprehensive professional training. This training is however limited to short-term exercises for a company of reservists and civil office holders for 1 to 3 days. As a result, there are neither well-trained commanders, nor qualified personnel for the territorial armies. Quite dangerous is that the government strongly believes that the territorial defense forces are a cheap substitution for a regular army, while they are just an auxiliary minor component, the low cost of which is very doubtful³.

The Defense Ministry's interest to ideology is caused by the problem of human resources. The government admitted the staffing crisis for the first time in February 2012. The personnel

² *Ministerstvo oborony zakupaet partiyu bespilotnikov Grif-1* ['Defense ministry buys a batch of Grif-1 UAVs']. Retrieved from: <http://www.interfax.by/news/belarus/118961>.

³ *Neposredstvennaya podgotovka territorialnoy oborony* ['Direct territorial defense training']. Retrieved from <http://www.bsblog.info/neposredstvennaya-podgotovka-territorialnoj-oborony/>

shortage in a number of military units reaches 20%.⁴ Alarming is that young officers capable of performing tasks independently tend to quit the service once the first five-year contracts expire. With regard to some areas of expertise, there are 25%⁵ and sometimes even 60% of such dropouts.

The problem is not just in the number, but also the quality of personnel. Military service has become less prestigious and the educational level of applicants to the Military Academy has dropped considerably. In fact, the Defense Ministry faces the threat of degeneration: the army can soon be staffed with people unable to compete in the civil labor market.

The military pay was increasing last year and, by the end of 2012, reached 85% of the pre-crisis level of 2010. There was nothing but to hope for public spirit and patriotism. However, given that the country only has a bunch of scrappy appeals and slogans not in any way connected with the real life instead of ideology, the failure was predetermined from the outset.

Defense potential: Lower and lower

The chronic underfunding of the military has led to a rapid degradation of the defense potential of the country. In 2012, Belarus actually lost one third of its warplanes (Su-24 bombers and Su-27 heavy fighters). Procurement of new ones is highly unlikely. The contract on supplies of Yak-130 primary trainers signed in December 2012 only specifies *four* such planes (Belarus currently has *ten* obsolete training airplanes). It looks like the Belarusian authorities have no hope to preserve even the present, dangerously low capacity of the national air force. The frustrated supply of eighteen Su-30 heavy fighters previously used by India was the disappointment of the year.

In this situation, the delivery of *eight* S-300PMU1 surface-to-air missile systems from Russia and continued supply with Tor-M2E systems was especially important. Considering that

⁴ *Kombaty: otkrovenny razgovor* ['Battalion commanders: straight talk']. Retrieved from <http://vsr.mil.by/2012/03/06/kombaty-otkrovennyj-razgovor/>

⁵ *Legko li stat ofitserom* ['Whether it is easy to become an officer']. Retrieved from <http://vsr.mil.by/2012/05/04/legko-li-stat-oficerom%E2%80%A6/>

the agreement on provision with the systems of both types was achieved during the financial recession of 2011 and there is no information that Belarus paid for them, the probability is high that money will not be involved.

There was a fly in the ointment, though: S-300PMU1 and Tor-M2E are only intended for export. Russia does not provide them to its armed forces, which means that Belarus receives not fully functional systems without the newest algorithms of counteraction to precision weapons.

Since the funding is limited, efforts were made to upgrade the already available weapons. Prototypes of reconnaissance-firing systems and UAVs were worked on throughout the year. Patchy upgrades could enhance precision, but could not increase the action range, which is only possible if new equipment or ammunition is imported.

Military imports are complicated and capacity of the local military industrial sector has to be used as much as possible. It was announced in 2012 that 35 new prototypes would be supplied to the army.⁶ The low-level intruder detection system Rosa-RB stands out as it is capable of creating an integral shield from an assault within its altitude range.

Emphasis has usually been put on development of automated management means, telecommunication, data transmission, data security, electronic warfare support, protection from precision-guided weapons and UAVs. Research and development works on some components of individual information-combat systems were completed by the end of the year. Belarusian engineers made prototypes of sleeve-mounted and pocket computers and tablets; communication and indication equipment; targeting, reconnaissance and surveillance devices. They are however supplied in small amounts or single items. Last March, the ministry had to call military chiefs together to update them on the recent developments and inform them of the very existence of new prototypes.

⁶ Kandral, I. (2012, December 11). Perspektiva – zakupka novogo i modernizatsiya imeyushchegosya [Outlook: purchase of new and upgrade of the available]. *Belorusskaya voennaya gazeta*. Retrieved from <http://vsr.mil.by/2012/12/11/perspektiva%E2%80%AF-zakupka-novogo-i-modernizatsiya-imeyushchegosya/>

Despite appreciable successes of the military-industrial complex, no significant progress was made in development and manufacture of new hi-tech products. For this reason, the schemes of financing were reconsidered and the number of programs was reduced. The decision was made to only fund the most promising areas where the payback would be quick.⁷

In July 2012, the Defense Ministry was slapped in the face when the notorious teddy bear airdrop took place and everyone was talking about a collapse of the national air defense system, which was not true actually. Although the available equipment is out of date, Belarus still has perhaps the strongest multilayered air defense in Europe. Any European capital could be bombed with teddy bears just as well. Maintaining of the permanently functioning low-altitude air defense system is a very complicated and money consuming task. This should have been explained to the people. Instead, the Belarusian authorities denied the incident over and over again and then had to admit it and started a noisy blame game that finally undermined credibility of everything the government said about the airdrop stunt.

Military integration within the CIS

Reanimation of the Collective Security Treaty Organization by Russia was one of the most significant trends of the past year. The member states used to delegate high-ranking military officials of the preretirement age, which means the CSTO was not really functioning and had little respect. The year 2012 however saw a number of exercises, which suggested preparation for combating extremists in the southern regions of the CIS and operations aimed at stabilization and peace enforcement.

Rearmament of the CSTO Collective Rapid Response Forces by 2015 was announced. The weapons used by the Russian Interior Ministry task forces engaged in anti-rebel actions in the Northern Caucasus were taken as a model. It shows that the CSTO was going to counteract nonconventional (i.e. non-state)

⁷ http://www.vpk.gov.by/news/comm_news/1246/

enemies who do not possess heavy firepower equipment. The same conclusion can be made when taking a look at the Rapid Response Forces characteristics: they are highly mobile and carry light weapons.

The heightened attention to the information in the member states, especially monitoring of social networks, also pursues the objective of staving off threats to domestic stability, rather than external aggression. It is thus openly said that it is caused by the Arab Spring events. The CSTO activities are accompanied by regular suggestions to cooperate in dealing with problems in Afghanistan and other security issues in Central Asia addressed to NATO.

At the end of the year, the Kremlin went further and offered a reform of the armed forces of the CSTO members, which, in fact, would turn them into Russian army subsidiaries. Success of this endeavor is doubtful. It is enough to recall the story of creation of the joint regional air defense system of Belarus and Russia. On February 13, 2012, President Lukashenko issued decree No.65, which ratified the joint air defense agreement. During the joint panel session of the Belarusian and Russian Defense Ministries held on April 18, 2012, the sides determined the architecture of the joint group of armies and worked out a management and decision-making mechanism for its application. Minsk blocked the resolution on the major point, the command, which Moscow was greatly interested in. As a result, as former Belarusian air force and air defense chief Major General Dzmitry Pakhmelkin said, the joint regional air defense system was just a formal concept.

Besides, the plan of large-scale CSTO reforming was not underpinned with proper financing, which slims down the chance of success of Moscow's plan even more.

While the Kremlin is in haste trying to integrate the military capacities of its allies, the Belarusian government wisely leaves as many open doors for itself as possible. Belarus actively participates in partnership and cooperation programs of NATO. The crisis in political relations with the West obviously has not affected the intensity of Belarus – NATO contacts. The anti-NATO rhetoric of the Belarusian leadership is out of tune with its actions.

Chinese factor

Stepped up military and technical cooperation with the People's Republic of China was observed throughout 2012. Beijing rendered aid for the first time: Belarus' special operations forces received 22 light armored vehicles Dongfeng Meng Shi. The two countries declared the intention to launch a joint telecommunication satellite. Minsk thus emphasized that Russia had nothing to do with this project.⁸

Both sides proclaimed more than once that their military cooperation was strategic using words like "eternal brotherly friendship" between China and Belarus and their armies.⁹ Before, only the Russians were "brothers forever" to the Belarusians.

In November, China hosted the second joint exercise titled "Swift Eagle." Belarusian troopers used Chinese small arms that can be well taken as advertising. In this context, Lukashenko's statement about inadvisability of buying used arms, which he made during a meeting with Defense Minister Zhadobin on November 13, 2012, suggests a new interpretation. Given the modest defense budget of Belarus, China can be regarded as a good potential source of new weapons. In the past few years, China has made a big leap in manufacturing quality arms thus maintaining competitive prices.

Both countries state the intention to develop military cooperation. On December 6, 2012, President Lukashenko approved the draft agreement *On the status of military units of the People's Republic of China temporarily staying in the territory of the Republic of Belarus and military units of the Republic of Belarus temporarily staying in the territory of the People's Republic of China for joint exercises (trainings)*.

The ideological affinity of the two political regimes helps greatly in this respect. It is however more probable that Beijing

⁸ *Belarus i Kitay v techenie tryokh let sozhdadut sputnik svyazi* ['Belarus and China to create a joint satellite within three years']. Retrieved from http://vpk.name/_svyazi.html.

⁹ *Ot Bresta do Pekina: territoriya druzhby* ['From Brest to Beijing: Territory of friendship']. Retrieved from <http://vsr.mil.by/2012/07/17/ot-bresta-do-pekina-territoriya-druzhby/>

wants to influence the CSTO through Belarus, get access to Belarusian military technologies (and Russian technologies through Belarus) and promote products of the Chinese military industrial sector in new markets.

Conclusion

Viewing the results of 2012 it is fair to say that the Collective Security Treaty Organization is transforming from a defense association into a force performing gendarme functions first of all securing internal stability of the member states, which also means that the threat of a military confrontation between Russia and the West is reducing. This explains Moscow's inactivity in completing the construction of the joint Belarus–Russia air defense system. Belarus' participation in the CSTO is only driven by an opportunity to obtain material preferences from the Kremlin, rather than any external threats to its security.

The Defense Ministry of Belarus is the last in line for a piece of the budget pie. The political leadership disregards the importance of keeping defense at a proper level because there is no real military threat, and hypothetical threats like a conflict with NATO can be repelled owing to the alliance with Russia. For this reason, it is highly unlikely that the marked decline in the national defense potential will be halted in the foreseeable future.

The Belarusian authorities are actively developing military and technical cooperation with China and they will do it demonstratively seeking bargaining chips for negotiations with Russia. At the same time, supplies of Chinese arms can contribute substantially to reinforcement of Belarus' defense.

PARLIAMENT: CONSTANCY WITH MINIMAL CHANGES

Andrei Kazakevich

Summary

The key political result of the year testified to the constancy of the political architecture: only ruling party candidates entered the parliament while the opposition is still not presented there. According to the results of the elections the administration of the parliament remained almost unchanged.

At the same time the comparison of a new structure of the parliament with the previous ones shows some new tendencies. Firstly, measures for considerable renewal of the deputy body were taken – the share of the deputies re-elected for the following term became the lowest in the whole history of the House of Representatives. Secondly, the political structure of the parliament changed. The majority of mandates were obtained by representatives of the public association *Belaya Rus*. Also, in the lower house of parliament, for the first time since 2004, a parliamentary group was created. The results of the elections also showed a further decline of the traditional political structures loyal to the authorities, in particular, the Communist Party of Belarus (CPB). Also the increase of the number of middle-level leaders in the parliament should be noted, as well as the insignificant rejuvenation of the structure.

Legislative activity went on within the framework of the accepted rules of the game. Deputies initiated only one bill, the rest was submitted to the parliament by the Council of Ministers or (rarely) by the president. All draft laws submitted for discussion were approved by deputies, and all decrees of the president were adopted as well.

2012 was marked by an overall decrease in foreign policy activity, which can be explained not only by foreign policy isolation, but also by the preparation for elections.

Trends:

- Some changes in the principles of parliament formation. The deputy body was considerably renewed, the representatives of *Belaya Rus* constituted the majority in the parliament, and for the first time in eight years a deputy group was created;
- The increase of the share of middle-level leaders, and also insignificant rejuvenation of the deputy body. Much more representatives of security agencies, the educational system and local councils entered the parliament. The share of the executive chain of command slightly decreased;

- Preservation of the role of the parliament established in the 2000s in the legislative process: low level of deputies' initiative, approval of all regulatory acts submitted by the government and the president;
- Certain decrease of the foreign policy activity of the parliament.

Undoubtedly, the most important event in 2012 for the parliament was the elections. Their political results cannot be called unexpected (as the results of any parliamentary campaign since 1995) – all mandates were given to the candidates appointed by executive structures. Nevertheless, the analysis of the deputy body gives the chance to record certain tendencies which distinguish the new structure of the parliament from previous, which can testify to the attempts to transform the principle of its formation and political role.

Before the elections of 2012, as well as in previous 2008, there were a lot of rumors about a possible political reform, in particular, the creation of the ruling party on the basis of the public association *Belaya Rus*.¹ For various reasons this did not materialize, however, when it is possible to call the results of the 2008 elections conservative according to the majority of parameters (the structure of the deputy body, collective activity of deputies, etc.), in 2012 certain innovations are noticeable, though it is hard to say whether they will lead to essential changes of the role and political functions of this legislative body.

Renewal of membership

A considerable renewal of the deputy body can be called the first noteworthy fact. According to the results of the elections of 2012 only 21 deputies (19.1%) kept their mandates, which is the highest level of rotation in the whole history of the House of Representatives. Following the results of the previous elections the number of re-elected deputies ranged from 27% to 40% of the total number (see Table 1). It means that the statements about the need to renew the legislature were fulfilled (at least formally), and some concern in the decrease of political mobility

¹ Kazakevich, A. (2012) Parliament: External impacts and rumored reforms. In: A. Pankovski, V. Kostyugova (Eds.) *Belarusian Yearbook 2011* (pp. 43–44). Minsk: BISS.

led to the attempt to change the principle of parliament formation though the events of 2012 do not allow drawing conclusions whether it will have significant political effects.

Table 1. The share of the deputies re-elected to a new term of the total number of the deputy body

	2000	2004	2008	2012
Share of the re-elected deputies	33.6%	40.0%	27.3%	19.1%

Changes of the political structure

Except for the level of rotation the changes in political structure of the parliament should be noted. Creation of the "Ruling Party" did not happen for various reasons; nevertheless, influences of the corresponding projects can be observed in new membership of the deputy body. Following the results of the elections 63 representatives of the public association *Belaya Rus* or 57.3% of the total number became deputies.² Thus, the representatives of this political organization are connected with the common hierarchy outside the parliament, which is rather a new situation for Belarus.

Beside this, following the results of the elections of 2012 there was a final decline of the traditional party structures which had been observed since 2000 — only five representatives of parties entered the parliament, which is the lowest indicator for the whole modern history. The results finally recorded the end of the attempts to create the noticeable political organization on the basis of the Communist Party of Belarus (CPB) which, according to repute, in the middle of the 2000s was considered as a possible basis of a ruling party. The CPB received only three mandates (in 2008 — six), one seat in the parliament was obtained by representatives of the Belarusian Agrarian Party (AP) and the Republican Party of Labor and Justice each (see Table 2).

² Elections to the House of Representatives of the National Assembly of Belarus of the 5th convocation. Minsk, 2012. P. 7. Retrieved from <http://www.rec.gov.by/sites/default/files/pdf/Elections-PPNS5-Itogi.pdf>.

Table 2. Parties in the House of Representatives, %

	2000	2004	2008	2012
Representatives of the parties	13.6	10.9	6.4	4.55
CPB	5.5	7.3	5.5	2.7
AP	3.6	2.7	0.9	0.9

During the first session of the House of Representatives there was one more essential innovation in the parliamentary activity. On December 12, 2012 the deputy group "Initiative" was first created for the last eight years. At the beginning of the 2000s efforts to create political and non-political deputy groups in the parliament were rather active. Moreover, even the oppositional party – "Republic" was formed. But after the elections of 2004 this practice stopped, and until 2012 parliamentary groups as a form of collective activity of deputies had not been formed.

The political basis of a new deputy group is rather visible through the person of the chairman Mikalai Ivanchanka – the former director general of *Belresursy* concern, the deputy head of the Presidential Administration, and also the Assistant to the President, Minsk region chief inspector.³

The aims of the deputy group proclaimed by the founders are mainly connected with the solution of local problems of social and economic development of small towns and rural settlements, coordination of legislative and control activity of deputies. At the time of creation there were 21 members in the group and Minsk region as a regional basis.

The level of position and the area

Some changes are observed at the level of positions which became a step to the deputy mandate. The share of those who got into the parliament from the position of a chief/deputy chief considerably reduced and made about 68.2% (this indicator for 2000–2008 ranged 78–83%). The number of those recruited

³ It should be noted that Mikalai Ivanchanka was born in Alieksandryja village of Šklou region (the birthplace of President Lukashenko – *transl. note*).

from senior positions of the middle level (chiefs of departments and structural divisions, etc.) rose to 28.4% (in 2000–2008 it had been 13–20%). At the same time the share of ordinary employees remained marginal.

The area and sectoral profile of the new deputy body remained almost unchanged – the executive chain of command and the production sphere (19.1% and 14.6% respectively) have the greatest importance. Following the results of the elections of 2012 functionaries of local councils of different levels got quite a good representation – six deputies against zero to three in 2000–2008. Also a significant growth of those who came from defense and law enforcement agencies provides certain interest: 10 deputy mandates (in 2004–2008 there were 1–4 deputies), since 2000 the number of representatives from the educational system has steadily grown – from 4.6% to 13.6%.

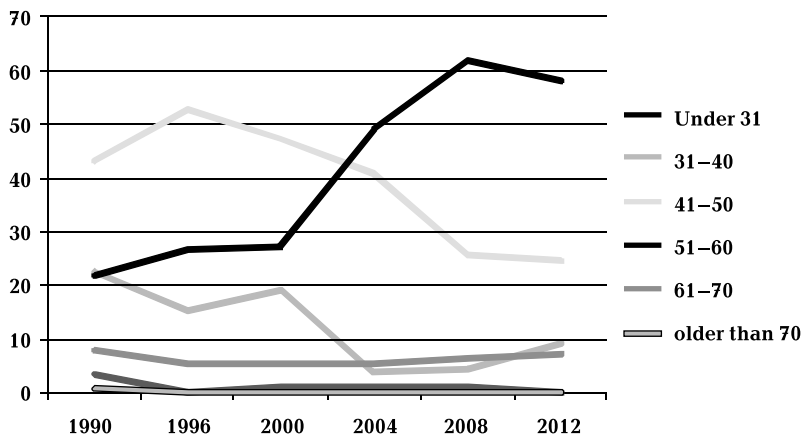
Age structure

Principally the age structure of the parliament remained the same though there were some changes which distinguish the elections of 2012 from the previous ones. The common important trend of the development of the parliament under the conditions of authoritarianism was a considerable increase in age and in particular the increase of the number of persons aged 51–60. Usually it was connected with the general decrease of the parliamentary role in politics and mobility bonds. In the 1990s the parliament was an important pool of candidates for the highest positions in office, while in the 2000s it became more and more a place of completion of one's career, very often as a form of honorable pension. Following the results of the elections of 2012 persons aged 51–60 made up 58.2% of the deputy body, which is slightly less than in the House of Representatives of the previous convocation but all the same it is much higher than any other age group (see Fig. 1).⁴

⁴ For details see: Kazakevich, A. (2010). Bielaruski parlament epochi Niezalezności: evalucyja deputackaha korpusu 1990–2010 hady ['Belarusian parliament of the independent epoch: the evolution of deputy body 1990–2010']. *Palityčnaja sfera*, 2 (15).

The representation of persons aged 41–50 in comparison with 2008 did not change (24.6%). But it should be noted that the number of deputies aged 31–40 doubled, which can testify to the attempt of rejuvenation of the structure.

Figure 1. Age structure of the deputy body, %



Changes in the administration

The highest administration of the parliament kept their positions. Uladzimir Andreichanka, the chairman of the House of Representatives stayed, and his deputy Viktor Huminski also stayed. The position of the chairman of the upper house of the parliament was again given to Anatol Rubinau, only the position of his deputy was taken by a new person — Anatol Rusetski (the Minister of Industry in 2003–2009; since 2010 he was Chairman of the Presidium of the National Academy of Sciences of Belarus).

At the level of the chairmen of the commissions changes were of a more considerable character. Out of 14 constant commissions of the House of Representatives only Siarhei Kanoplich (the Commission on questions of ecology, environmental management and the Chernobyl catastrophe) managed to keep his position, former deputies headed three more commissions. It is necessary to point out that while the deputies from regions prevail in the parliament, the positions of

the commissions heads are generally taken by the deputies who beforehand had taken the positions at regional or national levels.

Legislative activity

Legislative activity of the parliament generally was characterized by a habitual mode. The House of Representatives of the fourth convocation held two regular sessions (the final one before the elections lasted only one month) the first session after the elections was held by the new membership of the parliament.

In total the process of law adoption went on according to the rules defined after the consolidation of the authoritative regime. Deputies' activity in initiation of laws remained low, which entirely corresponds to the tradition of the last years. During 2012 deputies initiated only one bill *On changes and amendments to some codes of the Republic of Belarus concerning jurisdiction of military courts* which was approved in second reading. The absolute majority of other bills were initiated by the Councils of Ministers, considerably less – by the president. All draft laws that were submitted to the House of Representatives, were approved. All decrees of the president directed to the parliament were also taken into account.

The established procedure missed only one obvious mark. In May 2012 the parliament adopted the law *On changes and amendments to the law of the Republic of Belarus "On employment of the population of the Republic of Belarus"*, prepared by the Council of Ministers. The law was not signed by the president and it was returned to the parliament. This rather exceptional case made deputies consider the law again, agree with the president's remarks and reject the statutory act.

The laws adopted in 2012 affected different spheres of society. Probably, the most considerable block was connected with the regulation of economic relations: the state innovation policy, commercial secrecy, stock market regulation, bankruptcy, changes in the tax and land code, adoption of the housing code, etc. Also the attention was paid to the questions of social protection: pensions, social privileges and payments, etc. The separate body of regulation acts touched upon the regulation of activity of government bodies: Investigative Committee, House

of Representatives and Council of the Republic, KGB, courts, Ministries of Internal Affairs, etc.

International activity

The year 2012 cannot possibly be called active with regard to international activity of the parliament, which is related not only with the foreign policy isolation, but also with the preparation for the elections. In most cases the restrictions from the West connected with the increased foreign policy isolation of Belarus after 2010 remained the same, the interparliamentary relations with Russia generally stayed the same, and the activity in Third World countries was not stepped up.

Communication of parliamentary representative towards the EU passed mainly along the OSCE. Deputies took part in the winter meeting of the Parliamentary assembly of the OSCE (in February) and the annual session of this organization (in July). Furthermore, the representatives of the Belarusian parliament interacted with the representatives of the OSCE during the organization of election monitoring in 2012.

Traditionally the Belarusian parliament made critical remarks about the Western countries and organizations for their unbalanced and tendentious estimates of the political and legal situation in Belarus, and also the non-democratic character of elections. The position was expressed in mass media including different international venues. In particular, reacting to the resolution of the European Parliament on the Belarusian situation (on July 5, 2012) the Standing Commission on Human Rights, National Relations and Mass Media of the House of Representatives stated their "regret that the contents of the resolution misinform the European and world community, forming in their eyes the idea about our country as undemocratic"⁵. But in general the reaction of the parliament to external criticism can be described as being reserved.

The relations with Russia developed mainly in typical parliamentary ways. Belarusian deputies took part in regular work of Parliamentary Meeting of the Union of Belarus and

⁵ <http://house.gov.by/index.php/,5503,33360,1,,0,,,0.html>

Russia, and also in different joint conferences and seminars. The visit of Sergey Naryshkin, the Chairman of the State Duma of Russia to Minsk in June 2012 became the most essential event at the level of parliamentary contacts.

In June 2012 Belarus was visited by the chairman of the Moldavian parliament, and also by a delegation of the Cambodian parliament. All other interparliamentary visits were of a lower status: the delegation of the Iranian parliament was at the level of the head of the female fraction; the visit of representatives of the National All Chinese People's Congress at the level of the vice-chairman of the committee.

Belarusian parliamentarians also paid official visits to some countries, but the level of delegations also was not high. The Belarusian delegation under the leadership of the vice-chairman of the House of Representatives Viktor Huminski visited Armenia, and the delegations headed by the chairmen of the commissions visited Moldova and Vietnam.

During the year the administration of the parliament met representatives of many countries, but the majority of these contacts were with ambassadors and of a legal or anniversary character: Korea, Cuba, Syria, Sudan, China, Ukraine, Moldova, Kazakhstan, etc.

During the year Belarusian parliamentarians took part in work of various international and regional parliamentary structures: Interparliamentary Assembly of the ASEAN (as an observer), World Assembly of the Interparliamentary Union, Interparliamentary Assembly of the Eurasian Economic Community, Interparliamentary Assembly of the Commonwealth of Independent States, Parliamentary Assembly of the Black Sea Economic Cooperation. Belarusian parliamentarians also took part in observance of elections in Kazakhstan, Russia, Turkmenistan and Ukraine.

Conclusion

The development of the parliament in 2012 to a certain extent reflects the attempts to reform its role and the principle of its formation: a considerable renewal of the deputy body was carried out, the political organization of deputies was changed, there

was an increase of the number of heads of the middle level, etc. Nevertheless it is hard to say whether the carried-out changes will cause a transformation of functions and the parliament's role. Probably, they will remain exclusively formal. It should be noted that following the results of the elections the highest administration of the parliament remained practically unchanged.

For the rest the parliament's activity corresponded to the rules established after 1996. In the legislative process the parliament consistently sticks to a certain role which provides completion and adoption of the bills developed by the government or Presidential Administration. The activity of deputies in initiation of new laws is insignificant.

In 2012 the foreign policy activity of the parliament slightly dampened, which can be explained by the continuation of foreign policy isolation and exhaustion of alternative directions of the activity, and by the preparation for the elections.

LOCAL AUTHORITIES: STABILITY AND CONTROLLABILITY

Dzmitry Kukhlei

Summary

The year 2012 saw little change in the system of local authorities and self-government. Local authorities once again demonstrated their high effectiveness in securing social stability in regions. The parliamentary elections proved that local administrations fully support the existent public policy. Nevertheless, the overly centralization of local authority, which is actually incorporated into the presidential vertical and devoid of any features of European type self-government, hinders a balanced development of regions. The limitations of administrative tools in social and economic development of rural areas regularly puts the issue of promoting local initiative and self-government on the agenda for the highest authority.

In 2012 local budgets were forced to carry the major burden of the populist policies of the country's top administration. Cases of corruption and ineffective financial activities are regularly registered on all levels of local and self-government. Unaccountability of the local authorities to the public and closed budget process create a basis for more frequent corruption schemes, which is a kind of payoff of the center to the local elites for their political loyalty.

Trends:

- Village councils are stripped off of their economic functions;
- Local budgets become more sensitive to the populist policies of the top administration to contain housing and transport tariffs and raise salaries;
- Due to limitation of other sources, local budgets are forced to increase expenditures on economic modernization of production;
- The existing administrative division and errors of the state policies are working out negatively on the level of village councils;
- Rural population of individual regions tends to show more dissatisfaction with the center's approach to optimization of the administrative division on the primary level. Some regional functionaries back resistance against enlargement of village councils.

Local authorities: controllability vs corruption

The parliamentary elections in 2012 demonstrated a high level of loyalty and controllability of local authorities that are

responsible for promoting current public policy in regions. Nevertheless, despite good results in securing social stability on the entrusted territories, local authorities demonstrate little effectiveness in developing their local economy. Over the last few years the Belarusian leadership has been stressing the importance of promoting local self-government.

After the parliamentary elections the country's leader made several statements on stimulating and backing local civil initiative and increasing functions of the primary level of local government, which is least dangerous for the presidential authority and most loyal to the incumbent president.¹ Unfortunately, no significant changes have occurred. On the contrary, village councils are being stripped off of their economic functions. During the last year rural roads and technical communications were transferred to the books of specialized communal and state entities, which is a positive improvement. Among other positive changes is the increased role of village councils in allocating resources on road maintenance in rural areas. In 2012 local budgets allocated BYR 2.5 million per 1 kilometer.

In 2012 local and regional authorities focused more on improving the maintenance of law and order, especially in rural districts with their recent lack of district police officers. Local budgets allocated money for providing them with service accommodation and vehicles.

At the same time, cases of corruption and abuse of office are registered at all levels of local and self-government. In 2012 criminal proceedings were launched against both ordinary local council deputies, usually top managers of state enterprises and organizations, and heads of administrations of all levels. Criminal cases are frequent against ex-heads of the local power vertical, e.g. ex-chairpersons of Zodzina and Homiel city councils. The case of the ex-first deputy chairperson of Minsk city executive council Ihar Vasilyeu charged with large scale bribery received a lot of publicity in 2012. According to the corruption perception index of Transparency International, Belarus' position in 2012 was 123 out of 176, which places it

¹ http://naviny.by/rubrics/politic/2012/11/16/ic_news_112_405582; http://ont.by/news/our_news/0080603

within the group of post-Soviet countries with a high corruption index.²

Local budgets to sponsor modernization and social stability

In 2012, local budgets revenues and expenses saw a significant growth in real terms compared to the critical 2011. The revenues amounted to BYR 91.1 trillion, by 18.3% more than in 2011, and expenses – 88 trillion, by 25.8% more than in 2011.

The local budgetary surplus in 2012 accounted for 3.1 trillion, or 3.4% of the revenue part, whereas in the critical 2011 it totaled 4.5 trillion, or 9.3% of the revenue part. Despite the attempts of the central financial authorities to balance local budgets and transfer the earnings growth to lowering the debt ratio, Hrodna region executed the consolidated regional budget with a deficit of BYR 205.2 bn.³ In 2011 all consolidated budgets had a surplus.

In the first six months of 2012 local budgets reached a significant surplus of BYR 3.15 trillion from unforeseen incomes, which was a good basis for the year budget surplus of 10%. Usually, the revenues from the first six months of the year make up less than 50% of the year plan.

Nevertheless, the central authorities decided to direct these extra revenues to curb rising costs of housing and communal services and transport, raise salaries and finance modernization projects.

The ratio of local budgets' expenses on housing and communal services and residential construction grew from 7.9% in 2011 to 17.3% in 2012.

In 2012 the ratio of capital expenditure in the expenses structure of local budgets grew by 3.7%. This growth was based

² Corruption Perceptions Index 2012 // *Transparency International*: http://files.transparency.org/content/download/537/2229/file/2012_CPI_brochure_EN.pdf.

³ Analytical report *O sostoyanii gosudarstvennykh finansov Respubliki Belarus za yanvar-dekabr 2012 goda* ['On state finances of Belarus in January-December 2012']. Retrieved from <http://www.minfin.gov.by/i/budget/yandec2012.pdf>.

on transfer of modernization financing to local budgets. Last year saw a 13.8% reduction of investment into the basic capital whereas local budgets expenditure into it grew by 20%.⁴ As credit financing of state programs was reduced, investments into the basic capital did not reach 2011 figures in any of the regions. Minsk and Hrodna regions showed best results, with investments into the basic capital of 98.1% and 94% of 2011 results respectively.⁵

Expenses of local budgets in the consolidated budget 2012 amounted to 55.7%, almost equal to the 2011 figure (55.3%). Non-repayable proceeds from the national budget reduced significantly to 31.5% compared to 2011 (35.4%).

The unit weight of local budget revenue in the consolidated budget amounted to 39.5% in 2012 (36.5% in 2011), exclusive of non-repayable proceeds. This was possible because in 2012 local budgets received 71.9% of income tax (67.6% in 2011) and 34.1% of other taxes (32.4% in 2011). The ratio of tax revenue in the revenue structure of local budgets amounted to 63.3% compared to 59.6% in 2011.

Last year saw little change in the ratio of non-tax revenue of local budgets – it remained small. Despite the little growth (from 4.9% in 2011 to 5.2% in 2012) central authorities would not increase financial independence of regional elites and deregulation of small and medium enterprises.

The State Property Committee compiled a list of objects for sale three years ago but the plans for small privatization have been persistently shelved. In 2012, local authorities sold only 9 blocks of shares of total BYR 165.4 bn. The total revenue from state property that went to local budgets aggregated BYR 616 bn, whereas to the national budget – BYR 4.9 trillion.

⁴ *Napravleniya skontsentriruvat. Istochniki kontrolirovat* ['Directions to be concentrated. Resources to be controlled']. Retrieved from http://neg.by/publication/2013_02_01_16868.html.

⁵ *Investitsii v osnovnoi kapital po oblastyam i g. Minsku* ['Investments into basic capital in regions and Minsk']. Retrieved from <http://belstat.gov.by/homep/ru/indicators/regions/14a.php>.

Centralized taxation system

In 2012, the distribution of taxes between the national and local budgets saw little change. The fiscal policy of Belarus remains centralized and governed on the national level. Distribution of taxes between the national and local budgets is regulated by the law on the national budget passed every calendar year. The law on the budget of 2012 retained the principle of distribution of the income tax introduced in 2011.⁶ Only the ecological tax underwent a slight change.⁷

Local budgets received up to 21.2% of the income tax (compared to 19.2% in 2011), due to a rise in salaries and pensions. The ratio of the profit tax also increased from 12.1% in 2011 to 15.4% in 2012.

Optimization of administrative and territorial division on the primary level

Negative demographic tendencies in rural areas and limited functions and resources of village councils promoted discussions about enlargement of administrative units on the primary level. The country's authorities stress the economic components of this enlargement.

Primary government bodies are to be enlarged to cover the territory that is occupied by the corresponding agricultural enterprises. Presently, the latter have more resources than village councils' budgets do. Economic subjects can provide better help for the locals compared to village councils, which hardly perform their duties of providing services to the public.

In 2012, some cases of violent behavior toward chairpersons of village councils became known. In Sakalova, Biarozauski rayon, a 78-year-old man threw petrol onto the council chairperson; luckily he did not have time to set him on fire. Another incident happened in Kobryn rayon where a pensioner came with a

⁶ Ibid.

⁷ The budget did not include the item for environmental protection: all the respective measures were financed from the general fund. 40% of the ecological tax went to the national budget and 60% to the regional ones. District budgets received none.

machine gun to the council building.⁸ Tension in rural areas is growing because village councils' resources to provide services for the locals tend to be increasingly limited.

And locals are generally very negative about enlargement of primary government units, especially in Hrodna, Minsk and Viciebsk regions. Regional officials are very cautious in their attempts to liquidate underpopulated village councils. For example, in Hrodna region there are village councils with 500 to 700 people, and in one case the regional authorities blocked the rayon officials' decision on enlarging the primary unit.

Association of local authorities and cooperation with European partners

Local authorities, especially in the frontier areas, are interested in cooperation with municipalities of European countries. But the highest Belarusian authorities are suspicious about institutionalization of their group interests in the form of the Association of local self-government bodies. Any local authorities' union is hindered by tensions between Minsk and Brussels. After local elections 2010 chairperson of the Upper Chamber Commission on economics, budget and finance Vadzim Papou announced establishing the Association of local self-government bodies grounded on the so-called "European experience." The authorities viewed the Association as a means of establishing partnerships with the European association of local self-government bodies.⁹ Only a year has left until the end of office term of the councils of the 26th convocation, but the development of the association of local self-governments remains at the starting point. President Lukashenko is very cautious about any initiative of the functionaries to institutionalize their group interests.

Nevertheless, the Belarusian authorities maintained contact with European organizations of local authorities. In March 2012, chairperson of Viciebsk regional council and member of the

⁸ <http://euroradio.fm/report/pensiyaner-abliu-benzinam-starshynyu-selsaveta-i-sprabavau-yago-padpalic-120980>

⁹ *Association of local administration bodies to be created in Belarus*. Retrieved from <http://www.interfax.by/news/belarus/72839>.

Council on cooperation of local self-government bodies of the upper chamber took part in the 22nd session of Congress of local and regional authorities of the Council of Europe in Strasbourg despite tense relations between Belarus and EU officials.¹⁰

The establishment of the Association of local authorities is likely to be renewed with another improvement of relations between Belarus and EU officials. The Belarusian side sees the association as a means of "attracting sponsorship and participation in international projects", as well as promotion of its interests in Europe.¹¹

Conclusion

The main demand of the presidential power to the local vertical is promoting social stability on the entrusted territories and political loyalty to the incumbent state leader.

On the one hand, local authorities are susceptible for illegal activities due to the closed budget process and unaccountability of local authorities to the public. On the other hand, local elites often become the object of criminal persecution in corruption cases.

On the level of village councils systematic problems require reorganization of this chain of local authorities. Despite the fact that Belarusian officials realize the necessity of reforms in administrative and territorial division, the definite and consistent state policy in this direction has not yet been formulated. The only answer that the functionaries have is enlargement of primary administrative units. But locals are negative about village council reorganization.

¹⁰ 22nd session of the Congress of local and regional administration of the Council of Europe. Retrieved from <http://www.sovreg.gov.by/ru/?guid=12190>

¹¹ *Rubinov: resheniye o sozdanii assotsiatsii mestnogo samoupravleniya eshche ne sozrelo* ['Rubinov: decision on establishing association of local self-government is still to be made']. Retrieved from http://naviny.by/rubrics/politic/2012/09/25/ic_news_112_402255

PARLIAMENTARY ELECTIONS OF 2012: A SHOW IN KEEPING WITH THE WORST TRADITIONS

Andrei Yahorau

Summary

Parliamentary elections have always been less important in Belarus than presidential elections. The political value of the parliament (the National Assembly of Belarus), which is close to nothing, and nondemocratic election procedures make the parliamentary elections senseless. At the same time, election campaigns are used by various political forces to perform their tasks not directly connected with vote returns.

The parliamentary elections of 2012 were overshadowed by the dramatic finale of the 2010 presidential elections and impact of the economic recession of 2011. The issue of political prisoners, the international community's heightened attention to Belarus, the democratic opposition in search of adequate forms of political activism and some other factors defined the general political context of 2011 and the year of elections. The open opportunities gave reason to expect that the government would attempt to improve the image of the country in the international arena, and the democratic forces would overcome their internal crisis and attract new supporters. Those opportunities were however missed.

Trends:

- The elections proved that the system of election manipulation was stable and the election process was fully controlled by the authorities;
- The democratic forces failed to achieve unity and benefit from the parliamentary election situation that puts in question their ability to remove obstacles during the 2015 presidential election for the sake of political transformations;
- The mobilization capacity of the opposition political parties and movements will reduce as they lack tangible results and accomplishments;
- *Belaya Rus* has shown its potential for transformation into a political party, but the country leadership is obviously not interested in this transformation for now.

Before the elections: Deformed election logic

The role of the National Assembly in the political system of Belarus comes to nothing but simulating an institution of democratic representation and legitimizing the political system.

Election to the parliament is usually the last step on the way to honorary retirement for officials of the state machinery. Sometimes, the mandate also gives an opportunity to lobby group interests.

The parliamentary activity totally depends on decisions and volition of the executive branch.¹ The legislative activity is limited to passing bills sent from the Presidential Administration and the Council of Ministers. Members of parliament of the previous (4th) convocation only exercised the right of initiation of bills three times and all those times the bills were not of vital importance.²

The previous elections to the House of Representatives of the National Assembly, like the elections of 2012, show that the lists of future representatives are compiled beforehand and the election commissions only validate them later, in other words MPs are appointed, not elected.³ The outcome of elections is so much predictable that a *Nasha Niva* observer named the new MPs quite precisely before the vote result was officially announced.⁴

Before the elections held in June 2012, Belarusians were highly skeptical about the role of the parliament and the secrecy of ballot the elections are based on. According to a national opinion poll, only 44.5% of respondents believe that the House of Representatives influences their life; 46.9% say the seats in the lower chamber are distributed by the authorities in advance, and only 36.7% incline to the opinion that voters influence the results of elections.

It should be however noted that Belarusians trust the legislative branch and elections more than is reasonable to

¹ Kazakevich, A. Aktyunaść parlamenta zalezhyć ad palityčnaj voli Lukašenki ['Parliamentary activity depends on Lukashenko's political will']. In *Eurobelarus.info*. Retrieved from <http://eurobelarus.info/news/policy/2012/09/20/andrey-kazakev-ch-akty-nasts-parlamenta-zalezhyts-ad-pal-tychnay-vol-lukashenk-.html>; Kazakevich, A. (2010). Belarusian Parliament of the Independence Era: Deputy Corps Evolution, 1990–2010. *Political Sphere*. No.15, p. 44–70.

² Yahorau, A. (2012, June 25 – July 1). Bessmyslennaya aktivnost i ozhidayemye rezultaty ['Senseless activity and expected results']. *Belarusians and Market*. No.24 (1008).

³ Kazakevich, *Aktyunaść parlamenta*, op. cit.

⁴ <http://nn.by/?c=ar&i=80553&lang=ru>

expect, and the majority (50.7%) traditionally expresses the willingness to vote. At the same time, the proportion of boycott advocates increased from 8.8% before the 2008 elections up to 14.2% in 2012. This figure among the opponents to the powers that be reached 40.3% in 2012.⁵ The protest mood before the elections was among other things caused by the recession of 2011, the consequences of which were strongly felt.

During the parliamentary elections, the ruling group checks out coordination and general stability of the power vertical if there is nothing else to focus on. Elections require mobilization of administrative resources for securing the entire process of electoral simulation from the preliminary approval of the lists of future MPs by the local and central authorities before the election commissions are formed and attraction of voters to polling stations down to vote count manipulations.

The authorities launch election campaigns almost a year prior to the elections. A media campaign aimed at attaching greater relevance to election topics started since autumn – winter of 2011. Media outlets were abundantly fed with contemplations about amendments to the laws on elections,⁶ adoption of the mixed or proportional voting system, speculations about dates of elections, etc.⁷ Parties and NGOs loyal to the government, such as the Republican Party of Labor and Justice and the Liberal Democratic Party of Belarus, became very active and the situation with the transformation of the largest pro-governmental NGO *Belaya Rus* ('White Ruthenia') into a political party hit the headlines.⁸

In April 2012, the release of two political prisoners – Andrei Sannikov and Dzmitry Bandarenka – gave the democratic forces renewed hope for some political liberalization. However, the authorities did not employ the situation with the elections to mend relations with the European Union. In June, by the time

⁵ Analytical materials on the 2nd quarter of 2012 IISEPS. June 2012. Retrieved from <http://iiseps.org/12-02.html>.

⁶ http://naviny.by/rubrics/politic/2011/10/18/ic_media_video_112_6086;
http://naviny.by/rubrics/politic/2011/10/19/ic_news_112_378807/

⁷ http://naviny.by/rubrics/politic/2011/11/09/ic_news_112_380224

⁸ http://naviny.by/rubrics/politic/2011/09/29/ic_news_112_377341

when the elections were announced, 14 political prisoners remained behind bars,⁹ and Hrodna journalist Andrei Pachobut was taken into custody for insulting the president on June 21.¹⁰ In general, the authorities conducted a campaign of "quiet" and "stable" elections.

Amendments to the election code of 2010–2011 put some spin on the campaign. They simplified canvassing, generation of candidates' electoral funds, TV debates, and established quotas on representation of political parties and public associations in election commissions.

The democratic forces (the opposition and civil society) did not create strong situations: the task to consolidate and develop a common strategy for the 2012 elections was not fulfilled. The previous debates on the election strategy (summer 2011 till summer 2012) within the "Coalition of the Six," which included the Belarusian Popular Front, United Civic Party, United Left Party *A Just World*, organizing committee of Belarusian Christian Democracy party, the *For Freedom* movement, and the *Tell the Truth* campaign, were inconclusive and the opposition approached the start of the election campaign divided as ever.¹¹

Opposition parties and movements never managed to resolve the dilemma: boycott or campaigning¹². It was politically irrelevant anyway, because unity was not achieved. Civil society organizations united in the National Platform of the Eastern Partnership Civil Society Forum said they would not be able to support political forces in the campaign unless they map out at least one distinct common action strategy.¹³ Human Rights

⁹ Decree of the President of the Republic of Belarus No.276 of June 18, 2012.

¹⁰ Weekly analytical report on monitoring results: June 18–24. In *Human Rights Center Viasna*. Retrieved from <http://spring96.org/ru/news/53540>.

¹¹ <http://euroradio.fm/ru/report/oppozitsiya-ne-dogovorilas-o-strategii-navyborakh-95932>

¹² http://naviny.by/rubrics/elections/2012/06/18/ic_articles_623_178206

¹³ Zuikova, A. Videnie grazhdanskim obshchestvom razvitiya situatsii v Belarusi ['Civil Society's Opinion on Developments in Belarus']. In *Centre for European Transformation*. Retrieved from http://cet.eurobelarus.info/ru/news/2012/04/09/news_2349.html

Defenders for Free Elections initiative of the Belarusian Helsinki Committee and *Viasna* Human Rights Center and For Fair Elections initiative of several political parties and civil society organizations, which included 13 various entities (or 27 counting regional organizations), were ready to engage in election monitoring.¹⁴

Further events proved that the election campaign was absolutely predictable.

Election campaign: quiet elections

Independent observers acknowledged in July that the election campaign was "quiet": there were no protest actions, candidates were canvassing on time, and boycott advocates were not heard much.¹⁵ It basically concerned the entire period of the election campaign, which appeared to be quite uneventful.

Usual violations of the procedure were committed at all stages and they were reported by the international election observation mission of the OSCE and national observers. The process of formation of the election commissions was criticized for insufficient transparency, discrimination of the opposition, etc. Initiative groups for nominating candidates were sometimes groundlessly denied registration, which specifically concerns the groups of Ales Mikhalevich, Mikalai Statkevich and some other candidates. During gathering of signatures, the authorities used their administrative resources and pressurized members of initiative groups of the democratic candidates. Registration of some candidates was denied under invented pretexts and some of them complained about pressure and intimidation on the part of the special services. During the pre-election campaign, candidates' statements for the mass media were censored. Many were forced to vote early and the turnout was overstated. The vote count procedure was nontransparent. And this list is far from being complete.

As a result, observers reported gross violations of the principles of democratic and fair elections established by the

¹⁴ Weekly analytical report on monitoring results, see above.

¹⁵ http://naviny.by/rubrics/elections/2012/07/04/ic_news_623_396637

OSCE and Belarusian laws.¹⁶ It is worthwhile to say that those violations committed by the authorities were merely typical, rather than outrageously shocking. The revealed "election roundabout" with fake absentee ballots was probably the most notable event, which happened for the first time in Belarus' election rigging practice.¹⁷

Opposition parties and movements did not do anything special during the elections and mostly focused on local tasks, specifically maintaining their "combat readiness" and greater publicity. All political entities split into three camps with regard to their attitude to the elections.

1. Advocating a "boycott" was the Boycott Coalition: the organizing committee of *Bielaruski Ruch* ('Belarusian Movement'), *European Belarus* campaign, *Malady Front*, Belarusian Social Democratic *Hramada*, and Conservative Christian Party Belarusian Popular Front standing apart.

2. "Limited participation" envisaged nominating candidates and then pulling them out at the last moment in case the authorities would not meet certain requirements, such as the release of political prisoners, alteration of the laws on elections, etc. This strategy was supported by the Belarusian Popular Front, United Civic Party and Belarusian Christian Democracy.

3. The United Left Party *A Just World, For Freedom* movement, *Tell the Truth* campaign, and Belarusian Social Democratic Party took a stand in favor of full-scale participation.

This confrontation of opinions confused democratic voters who were at a loss as to who would run the campaign and how, and what to do about that. The elections revealed the low mobilization potential of the opposition, who was obviously losing in this respect to pro-governmental pseudo-parties and *Belaya Rus*. The number of democrats nominated to the local

¹⁶ Spravazdača pa vynikach nazirańnia za vybarami deputatau PP NS Respubliki Bielaruś piataha sklikańnia ['Report on the Monitoring of the Elections to the Fifth House of Representatives of the Republic of Belarus']. In *Human Rights Center Viasna*. Retrieved from <http://spring96.org/be/news/59772>; Final Report of the Election Observation Mission of the OSCE ODIHR. Retrieved from <http://www.osce.org/ru/odihr/elections/98395>.

¹⁷ <http://euroradio.fm/ru/report/v-minske-nablyudateli-vyyavili-izbiratel-nuyu-karusel-118351>

commissions (the lowest level of participation) (Table 1, Fig. 1) and nomination of candidates (the highest level of participation) (Table 2, Fig. 2) prove this well.

Table 1. Nomination of democratic representatives to local commissions

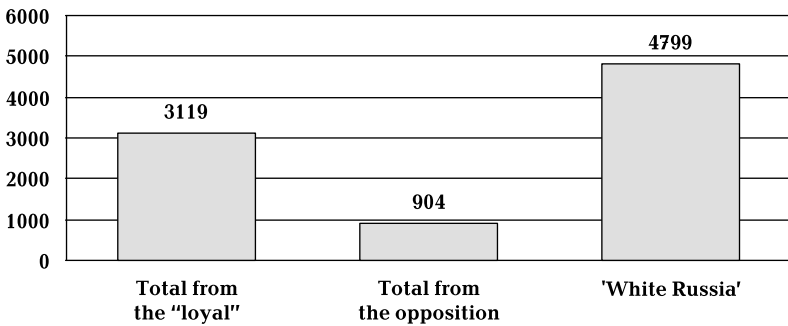
	Number	% of the total number of commission members	% of the total number of the commissions
Number of district election commissions	6301		
Number of members of district commissions (total)	68945		
Belarusian Agrarian Party	571		
Belarusian Social-Sports Party	609		
Communist Party of Belarus	845		
Republican Party	262		
Republican Party of Labor and Justice	832		
Liberal Democratic Party of Belarus	0		
Total from the "loyal"	3119	4.5	49.5
Belarusian Green Party	20		
Belarusian United Left Party <i>A Just World</i>	216		
Belarusian Social Democratic Party (<i>Hramada</i>)	30		
United Civic Party	240		
Belarusian Christian Democracy	171		
<i>Tell the Truth</i> campaign	15		
<i>For Freedom</i> movement	54		
Belarusian Popular Front	158		
Total from the opposition	904	0.01	14.3
"Belaya Rus"	4799	7.0	76.2

Source. Personal calculations of the author based on the data provided by the Central Election Commission and public sources.

At the level of nomination of candidates, the opposition's capacity is comparable with that of political "loyalists" (although it is far from the "550 Speakers Program" offered by United

Civic Party leader Anatol Liabedzka¹⁸), whereas it is much weaker at the mass level. In Minsk, the largest opposition organizations — *For Freedom* and *Tell the Truth* — together with the Belarusian Popular Front, which joined them, only managed to mobilize resources to fully cover one constituency where they monitored the elections at all polling stations (Boycott-101).¹⁹

Figure 1. Number of candidates nominated to the district election commissions



The canvassing campaign, which started one month before the date of the elections, brought no surprises either on the part of the authorities or the opposition. The "boycott" campaign was almost not seen on the streets, although the independent media were full of reports. As a result, according to independent sociologists, only 9.6% of respondents across the country (18.9% in the capital) boycotted the elections for ideological reasons, and 24% (37.1% in the capital) refused to vote without any political commitments.²⁰ Advocates of participation accused the boycotters of passivism and organized a quite effective campaign of demonstrative boycott (Boycott-101). Elections really did not take place in the constituency they chose.

¹⁸ <http://www.euramost.org/index.php?artc=15476&lang=1&print=1>

¹⁹ <http://www.dw.de/a-16254429-1>

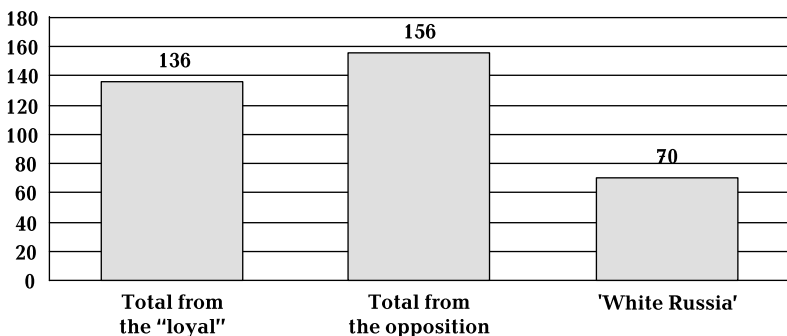
²⁰ Bykouski, P. (2012, Oct. 29 — Nov. 4). Sotsiologi izmerili yavku i boikot ['Sociologists measure the turnout and boycott']. In *Belarusians and Market*. No.41 (1025).

Table 2. Nomination of candidates

Nomination of candidates	
Belarusian Agrarian Party	0
Belarusian Social-Sports Party	1
Communist Party of Belarus	23
Republican Party	0
Republican Party of Labor and Justice	19
Liberal Democratic Party of Belarus	93
Total from the "loyal"	136
Belarusian Green Party	0
Belarusian United Left Party <i>A Just World</i>	32
Belarusian Social Democratic Party (<i>Hramada</i>)	15
United Civic Party	48
Belarusian Christian Democracy	0
<i>Tell the Truth</i> campaign*	18
<i>For Freedom</i> movement*	10
Belarusian Popular Front	33
Total from the opposition	156
Belaya Rus'	70

* Data on *Tell the Truth* campaign ("*Tell the Truth: The Results of Registration of Candidates*": <http://zapraudu.info/govori-pravdu-itogi-registracii-kandidatov-v-deputaty/>); *For Freedom* movement (*Competition for the Parliament: 0.44 Oppositionists per Mandate*: <http://euroradio.fm/ru/report/konkurs-v-parlament-044-oppozicionera-na-odin-mandat-118509>); *Belaya Rus* (*Belaya Rus Actively Participates in the Ongoing Election Campaign*: http://ont.by/news/our_news/0078769).

Source: Personal calculations of the author based on the data provided by the Central Election Commission and public sources.

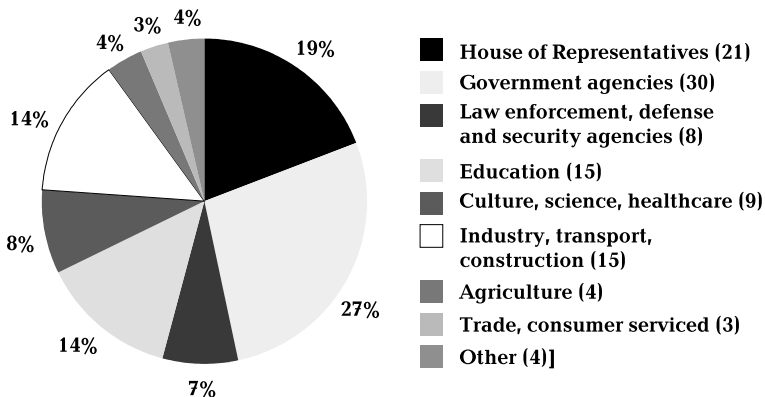
Figure 2. Nomination of candidates

Including the advance voting, by the end of the election day (September 23, 2012), the turnout was officially reported to be 74.61%²¹ (66.4% according to the IISEPS poll²²). The elections were deemed valid in all constituencies except No. 36 of Homiel—Navabelica where only one candidate ran for parliament and failed to poll enough votes. 109 members of the House of Representatives were elected in the first round. The elections to the upper chamber — the Council of the Republic — were perfectly silent as usual. Their results were announced on September 25. Senator mandates were given to all heads of the regional executive committees.²³

Some statistical results

Twenty-one lower chamber representatives were re-elected and kept their seats. Among the others were 63 members of *Belaya Rus*, 29 women and 5 members of the parties loyal to the president. Not a single representative of the democratic forces was admitted. State officials and directors of state-controlled enterprises dominate in the chamber (Fig. 3.).

Figure 3. Results of the elections to the House of the Representatives of the 5th convocation (previous occupation)



²¹ <http://www.rec.gov.by/sites/default/files/pdf/Elections-PPNS5-Soob5.pdf>

²² *Strasti vokrug yavki* ['Turnout fever']. Retrieved from <http://iiseps.org/old/bullet12-3.html>

²³ http://www.belta.by/ru/all_news/politics/Vybory-chlenov-Soveta-Respubliki-sostojalis-vo-vsex-oblastjax-i-Minske_i_609848.html

After the elections, IISEPS analysts said "it should have been acknowledged that the 2012 parliamentary elections followed a plan perfected during the previous campaigns. The elections did not become a moment of truth. Public discussions were sporadic and only concerned election process technicalities, rather than ways out of the economic recession. The authorities and society were well satisfied with those priorities."

FOREIGN POLICY

RUSSIA–BELARUS: EURASIAN WALTZ

Kirill Koktysh

Summary

Last year, Russia's influence on Belarus was steadily growing, while Belarus' influence on Russia was not. The scandal over solvents left Belarus without an essential part of export incomes. The labor outflow from Belarus to Russia within the Customs Union and common economic area was so massive, that Minsk had to pose administrative barriers that certainly did not improve its international reputation. The equaling of domestic prices with other Customs Union members smoothed down a bit by increased nominal wages was one more threat, which undermined the foundation of the Belarusian economic and political model.

Maneuvers around the EurAsEC loan when Minsk received scheduled tranches not meeting the privatization obligations established as a condition of the loan, could be regarded as the only relative success. It was the only time in the entire year when Minsk somehow managed to take advantage of the increasing gap between Russian elite groups. In general, those opportunities were not capitalized on: Minsk neither obtained a foothold for its own aggressive game, nor broadened the room for maneuver. This can turn into a serious problem at the next stage of construction of the Eurasian Union as Minsk will inevitably lose the game given the imposed integration formats.

Trends:

- Once the incomes from the trade in “solvents” were lost, Minsk fought a defensive action being unable to work out a strategy;
- Moderate tactical successes, which basically concern the EurAsEC loan, did not resolve the problems within the system, but only preserved the current status quo;
- The lack of an own strategy have already triggered a transformation of the potentially favorable format of the Eurasian integration into the one in which Belarus basically has no chance to win.

Introduction

The last year was decisive in Belarus–Russia mutual relations. The next electoral cycle ended in Russia, where a conceptually new configuration of forces has emerged: two resisting elite groups – the Putin oil-and-gas lobby together with the liberals united around Medvedev, and the protesting middle class coming

on the streets with anti-Putin rhetoric and slogans. However, the middle class got off the "firing line" after a series of failures. The situation lost most of its dynamics and the media partly lost their enthusiasm. The inter-clan struggle did not become less fierce, but turned into internal squabbles and trench warfare, rather than concept-based confrontation.

A year ago, detection of a gap in the Putin—Medvedev tandem could give the Belarusian regime the long-expected room for maneuvers determining future victories. Minsk however either looked the other way this time, or intentionally ignored the open possibilities taking no advantage of it whatsoever.

Throughout the entire year, communication with Russia was going on in the atmosphere of increasing pressure on the part of Russia, to which Minsk could only react thus not finding a possibility to hold the initiative that not only affected mutual relations right away, but also had an impact on the architecture of integration projects Belarus and Russia are involved in, first of all the Eurasian project.

"Solvents" and the first loss

The year, which Belarus entered looking at economic development with optimism, was clouded in the middle by the scandal over "solvents." Russia noticed the multiple growth of Belarus' export of customs free solvents to the West and very soon discovered that it was gasoline supplied under the guise of solvents. A scandal erupted as the unpaid customs duties resulted in USD 1.5 to 2 bn losses for the Russian budget, according to Moscow calculations. The supplies of solvents were stopped in August.

The scandal certainly affected the level of confidence between the Russian and Belarusian leaderships, which was low even without that. Screws were tightened institutionally: in December 2012, amendments were made to the agreement on the customs code of the Customs Union aimed at liquidation of the solvents and thinners export schemes, which did not provide payments of duties to the Russian budget. Since then, any mixtures of petroleum derivatives and alcohols, of which solvents and thinners were made, are regarded as customable

petrochemicals and their export has no sense in terms of commerce anymore.

Also, Russia pointed at the obligations on deliveries of gasoline made of Russian oil by Belarusian refineries back to Russia (the indicative balance envisaged return deliveries of one million tons of oil products to Russia. Nevertheless, till autumn, neither Belarusian, nor the Russian producers who processed oil on a give-and-take basis, made any deliveries of this kind. In the 4th quarter, Moscow pressurized Belarus by cutting oil supplies, and around 300,000 tons of oil products returned to Russia by the end of the year. Obligatory return deliveries were also set as a condition for the next year's oil supplies, which have not been agreed on so far. Moscow wants at least 2 million tons of oil products in exchange for the amount of oil requested by Minsk.

The ruining of the "solvent scheme" thus had a much more serious impact on Belarus' economy than could be expected. The incomes from the export of solvents were vital, rather than auxiliary. The amount established by Russia was essential for maintaining the stability of the Belarusian model. As soon as April 2013, Lukashenko confirmed a decline in the commodity turnover with Europe that quite correlates with the reduction in Belarus' energy export to the European Union.

Privatization and loans

Minsk managed to use contradictions between Medvedev's liberals and Putin's raw material traders to avoid fulfilling obligations in the privatization sector, which were a stringent requirement for giving a stabilization loan from the EurAsEC anti-recessionary fund (June 2011). Minsk was supposed to privatize state property worth at least USD 2.5 bn every year within three years in exchange for USD 3 bn in six tranches. This obligation was discharged in 2011 when the last state-owned 50% of *Beltransgaz* shares were sold to *Gazprom*. But in the next years, Minsk totally ignored its privatization commitments.

There is a quite clear explanation. Medvedev's liberals are fruitlessly trying to start the second wave of privatization in Russia for over two years hoping for greater influence comparable with that of Putin's elites. Putin is obviously not interested in

this and has been stalling the process. In this situation, Medvedev's elites cannot but look at privatization in Belarus as an alternative way to find a resource, and they demanded this privatization in the most categorical form.

The challenge apparently comprised an answer: by agreeing from the very beginning to surrender such crucial asset as *Beltransgaz* to *Gazprom* that was important to Putin, Lukashenko could count on the Russian president's support in blocking other privatization attempts, which, if successful, could strengthen the liberal opponents to Putin's governance. As a result, the Belarusian president publicly rejected the list of the enterprises intended for privatization compiled by the government. He said time had not come to give state property away. During the first visit to Minsk, the first one after the election, president Putin did not reprove Lukashenko, but spoke about similar feelings, and Belarus was then given the next (third at that time) tranche of the loan.

In November, Belarusian Prime Minister Mikhail Myasnikovich made the final refusal to meet the terms of the loan. He said no tragedy happened "as we have other ways to preserve the gold and foreign exchange reserves." Nevertheless, Belarus received the next (already fourth) tranche of the EurAsEC loan in late January.

Eurasian construction

The process of the Eurasian construction gives a strong impression that Minsk signed the founding documents on the Customs Union and common economic area without any profound preliminary analysis of the consequences and calculation of costs and benefits. It looks like ministries and departments did not accurately estimate possible impacts for each branch of the economy that could have converted into a comprehension of strengths and weaknesses and determining of a corresponding negotiation strategy for the next stage.

It is even harder to explain why they did not do it considering that Russia's accession to the WTO in August, which was a definite possibility when the documents on the Customs Union and common economic area were waiting to be signed, took the

situation to a new level of complexity. Staying outside the WTO Belarus and Kazakhstan will face all the downside problems like global competition at home, thus not getting any rights or bonuses WTO members enjoy. The openness of domestic markets ensured by the European principle of "four freedoms," i.e. the free movement of goods, services, people and capital, which also lie in the foundation of the Eurasian Union, means that even least effective barriers cannot be posed to goods and services from the outside.

The conflicts of interests not settled at the signing stage certainly arose at the stage of implementation of the agreements. At the end of the year Aeroflot was close to taking control over *Belavia*, the symbol of Belarus' sovereignty, when the Russian air carrier unexpectedly demanded free movement of services through a major increase in the number of flights to Minsk. Then came the time of stiff competition for highly skilled work force. This year, Russia considerably simplified the procedure of granting its citizenship for natives of the former USSR and even allowed foreigners, nationals of the member states of the Customs Union and common economic area, piloting Russian planes. Belarus and Kazakhstan faced a serious threat of becoming resource centers of Russia's economy.

The competition for medium skilled work force was also stiff. Presidential decree No. 9 issued in autumn forbade early termination of labor contracts at the initiative of employees without sanction of employers. This was the first but obviously not the last step against the outflow of human resources from enterprises and against the massive migration, mainly to Russia. The process of equaling the prices for basic foods with the Customs Union partners will inevitably devalue today's symbol of stability – USD 500 wages – and stimulate labor migration from Belarus. Prices have been going up since mid-May when the Ministry of Economy, which had been keeping prices under control for a year after the recession, started lifting restrictions on the selling price limits established for socially significant goods.

These conflicts will only grow inherently, as they are directly assumed by the present architecture of the Eurasian Union based on the liberal principle of "four freedoms," i.e. the free movement

of goods, services, people and capital, which actually means a redistribution of influence from national states to corporations. The strongest corporations take over resources and markets of the weakest, whereas the state only acts as an arbitrator who watches how the rules of the game are being followed.

Russia's accession to the WTO means that not Russian, but foreign global corporations will appear the strongest eventually. At this junction, Russia does not have the potential or ambition to maintain global competitiveness outside the oil-and-gas sector. For Belarus it means a threat of losing its status of an industrial nation.

Oddly enough, neither Belarus, nor Kazakhstan has initiated the process of development and adoption of the Eurasian Union architecture, which would be favorable for both. In particular, Belarus could be interested in the regime of protectionism for its industrial products in the Customs Union member states. As far as one can judge by the paper flow within the Customs Union and common economic area, a tactical solution to these quite premeditated problems was predictably found in protracting the coordination of regulations, which would take the framework agreements to the level of practice. Minsk and Astana are blocking to restrict access to their internal economic space stalling the introduction of new procedures and rules. It is clear that this response is only a temporary measure, which can well turn out to be ineffective.

Today, the EurAsEC has performed its tasks and transformed into the Eurasian Economic Commission.

Infrastructure

A cooling in relations between Ukraine and Russia resulted in an improvement of relations between Russia and Belarus. Ukraine started re-exporting Russian gas from Hungary which, in turn, does not receive it from *Gazprom*, but from a European buyer, so *Gazprom* finally lost patience and got back to the idea of the second string of Yamal – Europe gas main to be running through Belarus. Together with the already working North and South streams, it will completely deprive Ukraine of its transit status. However, it does not promise Belarus any special benefits,

because having no share in *Beltransgaz* (the national gas transit operator) the country will be unable to turn the new amounts of gas into extra incomes or political power.

Conclusion

Belarus still retains an opportunity to turn the current disadvantageous variant of the Eurasian Union into an advantageous one. Since the internal design of the Union is still not quite clear, Belarus can impose its viewpoint. And this viewpoint (as a mandatory requirement) can imply both industrial production and high-level cooperation and at the same time the terms for making this production and cooperation beneficial, inevitably entailing more or less smooth closing of the domestic market.

Given that the Russian and Belarusian elites do not trust each other, this imposition cannot just have a format of intra-elite arrangements: reliance on public attitude and, in a more comprehensive sense, shared values can be the only guarantee of their endurance. But these values and attitudes never emerge from nothing. They must be created and cultivated.

In other words, development and public imposition of the ideology of Eurasianism of Belarus' origin could be the only successful format of the Eurasian Union, which Belarus can advocate and benefit from. It is the only way to anchor the cooperative industrial model as uniquely fair and mutually advantageous, as well as to ensure the proper degree of closeness of the domestic market from the external competition needed for its actualization as a natural and matter-of-course step.

Implementation of such strategy is certainly quite problematic given all the complexities. But, on the other hand, preservation of the status quo, i.e. realization of the principle of "four freedoms" without any other value-based framework context will simply lead Belarus and Kazakhstan to splitting into "spare parts."

AT A DEADLOCK: DEVELOPMENT OF RELATIONS BETWEEN BELARUS AND THE EUROPEAN UNION

Dzianis Melyantsou

Summary

Throughout 2012 Belarus and the EU had very uneven relations. The parties survived two diplomatic crises which were followed by a certain activation of contacts at the end of the year. During all this time the parties simultaneously expressed their desire for a meaningful dialogue and improvement of relations. However all through the year the European Union expanded the restrictions towards the Belarusian authorities, and the authorities strengthened repressions inside the country. Minsk consistently showed its unwillingness to fulfill the requirement of Brussels which had openly been announced, but it did not refuse the possibility of informal communication and negotiations with EU representatives. The EU proposed an exclusive initiative for Belarus (Dialogue on Modernization), but it has not yet become an effective tool of cooperation and communication and requires some further improvement.

Trends:

- Relations came to a deadlock: the EU understands that it has no leverage and Belarus does not want to give in to the external pressure as it sees no advantages for itself in making concessions;
- The attempt of Brussels to be the intermediary between the Belarusian opposition and the government (through the Dialogue on Modernization) has not produced any result;
- Problems in relations with Russia and economic difficulties make the Belarusian authorities carefully seek for improvements in relations with the EU.

Diplomatic crisis: short but painful

The year 2012 started for the Belarusian-European relations with an acute crisis which can be compared to the crisis of ambassadorial residences in Drazdy in 1998. On February 28, the EU Council made the decision to enlarge the list of the Belarusian officials against whom restrictive measures of the European Union are applied. Twenty-one persons were added to the list (as of March 1, 2012 "the black list" included 231 persons).

On February 28, the official representative of the Belarusian Ministry of Foreign Affairs announced the retaliatory measures. The Belarusian authorities decided to forbid the citizens of the EU states who promoted the introduction of restrictive measures entry to the territory of Belarus. The permanent representative of Belarus to the EU and the ambassador of Belarus to Poland were recalled to Minsk for consultations. The Ministry of Foreign Affairs of Belarus instructed the EU and Polish ambassadors to leave Belarus "for consultations," too.

In response to this at the urgent session of the Political and Security Committee of the European External Action Service it was agreed that the ambassadors of the EU member states in Minsk would all be withdrawn. Thus diplomatic relations between Belarus and EU countries appeared on the brink of collapse.

The deep reasons of the Belarusian-European political conflict and the diplomatic crisis lie in a fundamental misunderstanding between the parties, each other's motives and problems, and also in a total mistrust which has always been present at the relations, but repeatedly amplified after the presidential election of 2010. In the EU there is no action strategy in connection to Belarus (as well as foreign policy strategy on the whole), and the foreign policy of Belarus basically does not stipulate any certain long-term strategy. This leads to a misunderstanding of the purposes of mutual relations, their possible benefits and losses from conflicts.

The EU considers Belarus as a typical eastern European country like Moldova or Ukraine which aspires to enter the EU and are ready to fulfill the requirements of Brussels to meet the norms and standards. The EU considers the Belarusian authorities illegitimate and counts on the opposition and the civil society as on influential political subjects in the country and doing so it provokes the Belarusian authorities to strengthen the repressions, because this is the only leverage the official Minsk has.

In its turn the Belarusian government by means of this crisis hoped to break a paradigm of the attitude of the EU to Belarus as to an aspirant-country which tries to become a part of the EU

and is consequently sensitive to the political situation, and to make Brussels regard Belarus as a sovereign country which has its own interests (as, for example, the EU regards Azerbaijan or Russia).

A new element in the conflict of 2012 was an error of the official Minsk who believed that the EU would not be able to joint action, and would possibly keep on playing upon differences among the European capitals as for the Eastern policy. One more important factor of the crisis was a more intense integration of Belarus with Russia in the framework of the Single Economic Area, which allowed the Belarusian government to win the support of the Kremlin and feel more confident in the conflict with Brussels.

The second phase of the crisis was connected with the EU reaction to Dzmitry Kanavalau's and Uladzislau Kavalyou's death penalty, who were condemned for the terrorist attack in the Minsk underground. The information that president Lukashenko rejected the appeal for mercy promoted the adoption of new restrictive measures against Belarus. On March 23, the EU Council added 12 private persons to the Belarusian "black list" (including businessmen Jury Chyzh and Anatol Tarnauski) and 29 enterprises. Thus, as of the end of March 2012 there were 243 citizens and 32 enterprises of Belarus on "the black list."

In its turn the Belarusian authorities began to apply more actively their list of citizens who are not eligible to travel outside Belarus. The list included representatives of the opposition and the civil society who, according to President Lukashenko, called for sanctions against the country.

The turning-point in the relations between Belarus and the EU occurred in mid-April when the former candidate for the presidency Andrei Sannikov and his election campaign team officer Dzmitry Bandarenka were released from prison. Feeling that the conflict with the EU causes more losses than gains, the official Minsk took a practical step to de-escalation of the conflict. For its part the EU also met halfway: on April 23, the EU Council abstained from new restrictive measures against Belarus, and at the end of April ambassadors of the EU states returned to Minsk.

Dialogue on modernization: with whom to speak?

Simultaneously with the diplomatic crisis the European Commissioner for Enlargement and European Neighborhood Policy Štefan Füle announced about the launch of a new initiative – the European Dialogue on Modernization with Belarus which later was renamed into the European Dialogue on Modernization with the Belarusian Society (EDM). Under the conditions of impossibility of bilateral intergovernmental contacts at the top level the European Union suggested a model of cooperation with the opposition and civil society for “exchange of views concerning the reforms necessary for the modernization of Belarus.”¹

Within the framework of the Dialogue four expert working groups in the following directions were formed:

- 1) political dialogue and political reform;
- 2) justice and internal affairs (including people-to-people contacts);
- 3) economic and social reforms (including privatization);
- 4) trade and market reforms, the reform of regulation system.

Official tasks of EDM are the following: to form a clearer vision of modern and democratic Belarus and of the reforms necessary for its modernization; to define a corresponding potential of the development of relations with the EU and a potential of possible support from the EU; to share the practical experience of EU countries in transition periods.

The first seven months from the moment of EDM launch were devoted to preparatory work. The preparatory stage of the Dialogue included the working out of the order of the work of groups and formulation of priorities of their activity; the coordination of narrow topical directions in the framework in which further researches will be conducted and events will be organized and draft reforms will be developed. During this time the “base of reforms” was created² with the organizational and

¹ Launching European Dialogue on Modernisation with Belarus, see <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/226&format=HTML&aged=0&language=EN&guiLanguage=en>.

² <http://www.reformsby.eu/>

technical assistance of Solidarity with Belarus Office. This regards a database of the majority of projects of reforms which were proposed by independent research centers, international organizations and the Belarusian authorities.

The preparatory stage of EDM was replaced by the transitive phase of the initiative which will last approximately till summer 2013. It will include a number of expert round tables dedicated to the discussion of priority reforms that had earlier been developed and also meetings with experts from EU member states for the purpose of sharing their experience in corresponding spheres.

An important problem is the participation of governmental experts in the Dialogue. Despite some diplomatic efforts of Brussels, experts from state institutions did not participate in sessions of working groups. However as for the participation of representatives of the Belarusian state the EU sends conflicting messages. On the one hand, it declares its interest in participation of state experts in working groups, and on the other hand it states the impossibility of participation of the official Minsk as a third party of EDM (together with the European Union and the Belarusian civil society). Under such conditions the official Minsk considers the Dialogue on Modernization as a joint project of Brussels and the Belarusian oppositions that is directed against the Belarusian development model as a whole.

It is doubtful that the government will join the Dialogue, even if sanctions are lifted and mutual relations are improved. Minsk originally has not been included in the working out of the European Dialogue on Modernization and has no sense of belonging in this initiative, and to join as a junior partner and meet around the table with the opposition means loss of reputation.

The EU takes more of a position of the independent moderator but at the same time there is no actual support of the Dialogue from the potentially interested parties in the country: the business community still has not united, and opposition forces have not shown any interest to the Dialogue so far. Eventually, the productivity of the whole Dialogue (if to call it a "European" one) will be in many respects defined by the efforts of the EU itself as in Belarus there is neither the "customer" of expert side of the equation, nor financial assets for such an activity.

As of the end of 2012 the Dialogue on Modernization operated in a mode of expert club without any defined purposes, tasks or budget. The successful implementation of EDM requires firstly articulation of the EU position and aims in this process, and secondly, demonstration of potential and desirable results of EDM and certain economic and political benefits which Belarus (both in the form of the government and in the form of society as a whole) can get from the joint elaboration and realization of the modernization programs.

Swedish incident:

Swedish teddy-bears against the Swedish embassy

In the summer of 2012 Minsk continued to send careful messages to Brussels which should testify about its good will and desire for a meaningful dialogue. Also the participation of the deputy Minister of Foreign Affairs of Belarus Alena Kupchyna in the first informal meeting of Ministers of Foreign Affairs of the countries of the Eastern Partnership in Chisinau became a significant event. On July 23, the Minister of Foreign Affairs of Belarus Siarhei Martynau took part in the third meeting of Ministers of Foreign Affairs of the countries of the Eastern Partnership in Brussels.

However on August 1, Belarusian Ministry of Foreign Affairs officially informed that it refuses to continue accreditation to Swedish ambassador to Minsk Stefan Eriksson. As the Press Secretary of foreign office Andrei Savinykh said, during seven years which Eriksson spent in Belarus "his activity was directed rather on destruction than on strengthening of the Belarusian-Swedish relations."³

In response to these actions of Minsk, Sweden requested that two employees of the Belarusian embassy in Stockholm leave the country. Minsk made a decision to withdraw the embassy in Stockholm completely and suggested Sweden did the same.⁴

³ <http://www.ctv.by/novosti/andrey-savinyh-belorusskaya-storona-ne-vydvo-ryala-shvedskogo-posla>

⁴ Statement of the Ministry of Foreign Affairs of Belarus: 08.08.2012, see http://www.mfa.gov.by/press/news_mfa/b74c05198b8504a4.html.

Many analysts connected such actions of the Belarusian authorities with the so-called "teddy-bear landing": on July 4, a single-engine plane with Swedish citizens on board entered Belarusian air space and scattered over Ivianiec and Minsk about 800 teddy-bears with the inscriptions attached to them in protection of the freedom of speech in Belarus. The Belarusian side accused Sweden as the state behind this action, and it, certainly, could affect the attitude to the embassy and the head of the diplomatic mission.

Actions of the Belarusian authorities again received unanimous condemnation from member countries and institutions of the united Europe. In Brussels the possibility of another withdrawal of the heads of diplomatic missions was resumed. But at the emergency meeting of the EU Council on August 10, it was nevertheless decided to refrain from such a step.⁵

Parliamentary elections: usual results, usual reaction

The elections of the deputies of the House of Representatives of the National Assembly of the fifth convocation that occurred on September 23 were not recognized as those meeting OSCE standards. As a result the European Union which relies on the conclusion of OSCE missions did not recognize the elections in Belarus as free and fair. Such evaluation did not improve the relations between Belarus and the EU.

Following the results of the election campaign Catherine Ashton, the High Representative of the Union for Foreign Affairs and Security Policy and Štefan Füle, Commissioner for Enlargement and European Neighborhood Policy made a joint statement in which they named the elections in Belarus "yet another missed opportunity."⁶

⁵ Belarusian foreign policy index No.9. BISS 2012: <http://www.belinstitute.eu/be/node/656>.

⁶ Statement by the high representative Catherine Ashton and commissioner Štehan Füle on the parliamentary elections in Belarus, see http://ec.europa.eu/commission_2010-2014/fule/headlines/news/2012/09/20120924_4_en.htm.

However right after the elections Siarhei Kavalenka and Paval Syramalotau whom the EU regarded as political prisoners were released. This event lowered the degree of criticism towards the Belarusian government during the EU Council session on October 15. Following the results of this Council the sanctions against Belarusian officials, businessmen and enterprises were prolonged till October 31, 2013. However "the black list" was not extended as it had been previously thought.

Focus on normalization?

The end of the year turned out to be full of events which could be qualified as essential activation of Minsk in the Western direction. There were a number of business and diplomatic events organized by the Belarusian side both in Belarus, and in EU countries. In November and December there were also consultations between the Ministry of Foreign Affairs of Latvia and Belarus, as well as Belarus and France. Cooperation programs between the ministries of culture of Belarus and Poland, and a Lithuanian-Belarusian agreement in the field of information and communication technologies and development of the information society were signed.

Also at the end of the year there were a number of meetings of the officials of the Ministry of Foreign Affairs of Belarus with the heads of diplomatic missions of the EU countries in Minsk. In December the Minister of Foreign Affairs Uladzimir Makei and his deputy Alena Kupchina received the ambassadors of Poland, France, Czech Republic, Estonia, Great Britain and Lithuania. On December 17, Uladzimir Makei called to the Minister of Foreign Affairs of the Czech Republic Karel Schwarzenberg, and the head of the Ministry of Foreign Affairs of Belarus received the Director for Russia, the Eastern Partnership, Central Asia, regional cooperation and the OSCE of the European External Action Service, Gunnar Wiegand.⁷ According to the Belarusian Ministry of Foreign Affairs, during almost all of these

⁷ Belarusian foreign policy index No.11. BISS 2012; see: <http://www.belinstitute.eu/ru/node/520>.

meetings questions concerning Belarusian-European relations were discussed.

Such activation of contacts in the Western direction coincided with the increase of problematic points in relations with Russia which partially became the reason of the search of ways to normalize the relations with the EU. Besides, the motive of the Ministry of Foreign Affairs to activate its work is the necessity to attract Western credits and investments at the threshold of peak payments of external debts, to use the Lithuanian presidency in the EU in 2013 in order to activate its participation in the Eastern Partnership (first of all with a view of financing of infrastructural projects), and the desire to "correct" the image of the country on the eve of the Hockey World Championship which is to take place in Belarus in 2014.

Minsk seems to be ready to fulfill the EU requirements, in particular on political prisoners' release when certain benefits from normalization of the relations with the EU become visible. Deterioration of relations with Russia will also promote this process.

Conclusion

Despite the crises in relations during the year Minsk showed the desire to resume the dialogue with the EU and to improve political relations on condition that its reputation is saved and the opposition as an intermediary is removed from these relations.

The diplomatic crisis has shown that the EU is ready to unanimous actions, but it has very limited leverage to influence the situation in Belarus. Brussels also does not have an exact understanding what strategy of behavior to choose. Belarus, in its turn, knows how to make use of the crisis in its relations with the EU, but it does not know how to make Brussels consider it an independent state, without attempts to transform it according to the dreams of European officials.

Despite conflictual relations in the political sphere, trade and business ties continued to develop successfully in 2012, as well as mutual relations with some EU member states.

Belarusian-European relations remain a function of relations between Minsk and Moscow, and they improve only when there are problems with the Eastern neighbor. On the whole, Belarus swims with the tide of "maneuvering" policy and its foreign policy actions depend on tactful needs and the external situation.

BELARUS—USA: STEPPING OFF THE FREEZING POINT?

Andrei Fyodarau

Summary

Belarusian-American relations remained quite strained almost throughout the entire year 2012 due to the events in Belarus during and after the presidential election. No progress was observed and, moreover, sometimes it looked like both states approached the line when diplomatic relations could be severed. Nevertheless, there were a series of official talks at the turn of the year that suggested a certain improvement of the situation.

Tendencies:

- Increasing tension in Belarusian-American relations over the most part of the year;
- Gradual expansion of the visa and economic sanctions imposed by Washington;
- Unexpected active contacts at the diplomatic level.

Continuous confrontation

Although 2012 was the year of jubilee — 20 years since establishment of diplomatic relations between Belarus and the United States in January — no celebrations were held, as, in fact, there was nothing to celebrate. Moreover, increasing tension was felt over the most part of the year.

On January 4, U.S. President Barack Obama extended the Belarus Democracy Act signed into law in 2011 with a new package of sanctions and a longer list of Belarusian officials, security officers and law enforcers subject to visa and financial restrictions. The Act also addressed the International Ice Hockey Federation asking to strip Belarus of the right to host the 2014 Ice Hockey World Championship.

On May 22, the U.S. Department of Treasury identified Belarusian JSC *Credexbank* as an institution of "primary money laundering concern." This was done to protect the U. S. financial system from risk stemming from the Belarusian bank. David Cohen, Undersecretary for Terrorism and Financial Intelligence,

explained that "this action sought to protect the U.S. financial system from a foreign financial institution whose highly suspicious transaction patterns and pervasive lack of transparency made it virtually impossible to discern whether the bank was engaged in any legitimate business."

In mid-June, Obama released the statement for the Federal Register, in which he informed that assets of some "individuals who undermine democratic processes and democratic institutions of Belarus" would be frozen for one more year.

On September 19, the Department of Treasury imposed sanctions on one more Belarusian state-owned company, *Belvneshpromservice*, which means that it could not cooperate with American governmental or private institutions and its accounts in U.S. banks, if any, were to be frozen. The company was accused of supplying goods for the Syrian armed forces. Specifically, in March 2011, Syria's Army Supply Bureau allegedly received fuses for general purpose aerial bombs, which Bashar al-Assad could use against his people.

America once again dismissed the September parliamentary elections in Belarus as non-complying with international standards. Finally, U.S. Secretary of State Hillary Clinton spoke about ongoing human rights abuses in Belarus at a the session of the OSCE Council of Ministers for Foreign Affairs on December 6 in Dublin.

The Department of State also made a number of statements. In particular, it was said that Belarus did not fully comply with the minimum standards for elimination of human trafficking (it is worthy of note that this point had not given rise to criticism from the United States before). The Department of State condemned the expulsion of the Polish ambassador and head of the European Union Delegation from Belarus that entailed the recall of all EU ambassadors from the Belarusian capital, and then the diplomatic conflict with Sweden that followed the "teddy bear bombing."

American parliamentarians were very active as usual. In the speech made on May 2 at the Vilnius University, former presidential candidate Senator John McCain scarified the Belarusian leadership and called on to intensify pressure on the regime. Congressman Christopher Smith seconded his colleague.

United States' representatives in the OSCE standing committee in Vienna and the embassy in Minsk constantly monitored and criticized actions of the Belarusian government. A positive response was only given twice – both times when political prisoners were released – and even then a negative connotation was carried by the demand to release other prisoners immediately and unconditionally and rehabilitate them completely.

The Belarusian authorities returned like for like. When in Havana in June, Alexander Lukashenko called the American blockade against Cuba "outrageous" and said that "Belarus resolutely demanded to call it off immediately."

The Belarusian president addressed students of the Belarusian State Economic University with a speech a week after the election in the United States. He doubted that something would change in relations with the U.S. "It is the country of huge inertia. They plow ahead like a bulldozer across the world... And all this eloquence you hear today – don't trust it. Not always they do what they promised to do when elections are over." Considering that it was said together with the claim that two dozens of contestants for the U.S. presidency were jailed, the declaration of the willingness to cooperate with the Americans seemed to be nothing but a usual attempt to put a brave face on a sorry business.

As a result, it caused no surprise that the Belarusian leader was not among the heads of state who congratulated Barack Obama on his re-election. Nor was Obama on the list of those who Minsk wished a Merry Christmas and a happy New Year.

Given the whole atmosphere, it would be strange if other government institutions acted differently. In the film titled "Big Brother" shown on Belarusian TV in February, the Foreign Ministry spokesman accused the American embassy of breaking Belarusian laws and the Vienna Declaration by forming "mobile night patrols" of Belarusian nationals to secure the embassy.

The Foreign Ministry called the Department of State's regular report on human rights in Belarus in 2011 "manipulations with the human rights topic." The Ministry also repeatedly accused the United States of breaching the 1994 Budapest Memorandum, which provided Belarus with security guarantees in exchange

for joining the Treaty on the Non-Proliferation of Nuclear Weapons.

Unexpected cloud gap?

Phillip Gordon, Assistant Secretary for European and Eurasian Affairs, said in mid-January, "We see no future in relations with Belarus." Belief was growing stronger for the most part of the year that this judgment was really final. From time to time, it even looked as if diplomatic relations were about to be severed and new Chargé d'Affaires ad interim Ethan Goldrich, who arrived in Minsk in July, should not have unpacked his things as he was likely to go back pretty soon.

However, in autumn, against the background of the ongoing public swordplay, the media informed of certain diplomatic contacts. Goldrich met with newly appointed Foreign Minister of Belarus Vladimir Makei in September and his assistant Alexander Guryanov in October. The MFA also informed that a delegation of Belarusian businessmen visited the world's largest World Dairy Expo in Madison, Wisconsin. Not a big deal, one would say, but nothing like that had been on the news for many years.

Finally, Lukashenko's assistant Valentin Rybakov held negotiations with Daniel Russell, Deputy Assistant Secretary of State, on November 15 in Washington during which "the parties discussed matters of mutual interest."

These messages can be regarded as unexpected because nothing suggested that something like that could happen, actually. Any assumptions that the Belarusian leadership suddenly reconsidered their policy cannot be taken seriously.

Stronger pressure on the part of Russia (especially when it comes to economy) could be a credible explanation of this pivotal change in viewpoints, perhaps the only one. Certain underlying conflicts between the Union State partners were the most probable reason.

Also, it could be an attempt of the Belarusian government to reestablish cooperation with the International Monetary Fund given that Belarus was supposed to pay back the USD 3.1 billion loan next year. The United States is one of the major shareholders

in the Fund and commands quite a number of votes there. The American executive director follows instructions from the Department of State and the Treasury. The Belarus Democracy Act prescribes him to argue against any financial aid (except humanitarian) to the government of Belarus in all international institutions.

Clear light was not shed upon the situation till the end of the year.

Antagonistic controversies

Judging by outer indicators only, the basic Belarusian-American contradictions resulted from imprisonment of Belarusians on political grounds, which official Minsk does not however admit, and the political and economic sanctions imposed by the United States as a consequence. Both thus voiced absolute confidence that the ball was on the other side of the court and neither of them was willing to meet the other halfway.

The real reason however lies much deeper. It is obvious now that the incumbent authorities of Belarus and the United States hold absolutely different views on the fundamentals of social structure, which can be only pulled together by some extraordinary external circumstances. Since there are no visible preconditions for such circumstances, any tangible changes are highly unlikely.

The situation with the Budapest Memorandum can be taken as an example. As mentioned above, the Belarusian leadership constantly refers to one of its provisions, specifically America's obligation "to refrain from economic coercion designed to subordinate to its own interest the exercise by Belarus of the rights inherent in its sovereignty and thus to secure advantages of any kind."

As a matter of fact, the restrictions imposed by Washington on some economic entities of Belarus, can be regarded as a kind of "economic coercion." At the same time, it is unclear what exactly the U.S. Administration is trying to achieve "to its own interest" and what "advantages" to secure in the opinion of the Belarusian government.

The advantages Washington can allegedly have are not perceptible so far. America's willingness to fund the exchange of

Belarusian highly enriched uranium for low enriched material displays motivation of the United States to resolve this problem. Belarus however suspended this process, so the objective has not been achieved.

In general, it makes no sense to speak about any achievements. The U.S. does not like the Belarusian incumbent administration very much, but, judging by the experience of many previous years, it is unable to exert profound influence on the regime even when backed by united Europe.

Many accuse the United States of using objectionable methods. There are advocates and critics (including among American analysts) of the tactics of limited political and economic pressure.

During the so-called "Snow Meeting" in Trakai in January 2012, *Jamestown Foundation* expert Vladimir Socor said the Belarus Democracy Act meant nothing. In his opinion, all sorts of sanctions against Belarus will never work, but only isolate the country, which therefore falls into the Kremlin's hands. The only thing that the West can do to prevent the surrender of Belarus to the Russians is to help to reinforce its statehood. Also, it is necessary to get through to the Belarusian ruling elite preparing them for the post-Lukashenko period.

On the contrary, *Freedom House* President David Kramer, former Assistant Secretary of State, insists that the European Union and the United States should stick to a hard line in relation to Belarus and increase pressure, because it is "the only language Lukashenko understands."

Apparently, it is hardly possible to arrive at a decisive conclusion concerning the effectiveness of sanctions: they actually failed in North Korea, while some positive results were achieved in Myanmar in 2012 where sanctions against a number of ranking officials imposed for human rights abuses were lifted after all. It is evident that there are certain specifics in each particular case, which determine the outcome eventually.

Conclusion

Considering the above, the course of events unfortunately looks quite logical and it is safe to assume that appreciable

rapprochement of the positions expressed by the two countries will not happen any time soon. Anyway, the forthcoming appointment of a new secretary of state will hardly lead to reshaping of the policy towards Belarus. In turn, the Belarusian regime shows no willingness to resume cooperation by fulfilling conditions stipulated by Washington, the release of political prisoners being the key one.

Nevertheless, the current standing reminds of the situation of August 2008 when such gesture resulted in a considerable strengthening of the western vector. By the way, Deputy Assistant Secretary of State David Merkel was the first to visit Belarus at that time...

It would be therefore wrong to flatly rule out the possibility of the same scenario, as the authorities of Belarus can play this card once again. Although the Americans certainly have not forgotten the sad ending of that story, some cautious steps forward still can be made.

*Information from BelTA, BelaPAN,
and Interfax news agencies was used in this article.*

POLISH-BELARUSIAN RELATIONS: YEAR OF STAGNATION IN HOSTILE ATMOSPHERE

Kamil Klysinski

Summary

In the year 2012 the same problems that appeared in Polish-Belarusian relations after the Minsk–Brussels dialogue broke up in December 2010 remained topical. As Poland was particularly active and persistent in the activities of imposing sanctions against the Belarusian regime, its image of the top enemy hindering Belarus – EU dialogue renewal only strengthened. At the same time Belarusian authorities ignored the EU proposal of dialogue on Modernization that stipulates support for reforms in Belarus. The analysis of propaganda statements allows speculating that this attitude could have formed due to the fact that it had been drafted in Warsaw. Another problem, between the Belarusian civil society and the Polish authorities, was caused by information leaks about Poland’s financing Belarusian NGOs and Polish media’s insinuations about their “improper” behavior in Ales Bialatski’s case. As ever, effective economic cooperation persisted, despite political relations.

Trends:

- Political relations remain critical since the presidential election in December 2010; Poland strengthened its image of the Belarusian regime’s key enemy;
- The Belarusian side blocked dialogue on Modernization initiated by Warsaw;
- A high level of bilateral trade; Polish investors show interest in placing capital in Belarus;
- Border trade shows positive dynamics.

Persistent “cold war” in political relations

Already the start of the year 2012 demonstrated that Polish-Belarusian relations are far from leaving the deadlock. In February, the national Belarusian TV broadcasted an anti-Polish material about Poland’s authorities conjectural financing of Belarusian opposition. It accused Warsaw of supporting commando groups that presumably were to destabilize the situation in Belarus. At the same time Belarusian authorities denied entry to a group of Polish parliamentarians that intended to meet with representatives of the non-recognized Union of

Poles in Belarus. The tension reached its peak on 28 February, when Belarusian authorities urged RP ambassador Leszek Szarepka to leave Belarus and recalled the head of Belarus embassy in Poland. EU envoy to Belarus Maira Moira received the same "proposal." This was Alexander Lukashenko's reaction to the decision of the Council of the European Union to widen visa sanctions against representatives of the Belarusian regime. Although all ambassadors of the EU countries accredited in Minsk also left the country in solidarity, it was clear that the Belarusian authorities held a grudge against the Polish authorities and the diplomats that represent them. In March, the weekly *SB. Belarus Segodnya* published a short article titled *Human phobia*, accusing the Polish Foreign Minister in political adventurism and hostility toward Belarus. On the other hand, the RP authorities, supported by some Polish media, in return criticized actions of their eastern neighbor. All in all, the ambassador's departure reminded everybody that relations between Minsk and Warsaw are in deep crisis, which sometimes resembles books and movies' episodes of the "cold war" between the USSR and the West.

Recurrent fundamental controversies between the two countries are the key source of this crisis. On the one hand, Poland was the head of the group of the EU countries backing sterner sanctions against the Belarusian regime and therefore blocking the way out of international isolation in the most convenient way – without political reforms. On the other hand, Belarus was a difficult neighbor for Warsaw, although requiring promotion of bilateral and EU–Belarus relations, but only on the lower levels, because the regime was not ready for any concessions in fundamental for Poland issues – releasing political prisoners. In other words, Minsk expected to renew the dialogue and escape sanctions without political liberalization and Warsaw insisted on the latter as the crucial condition for improving relations. As a result, the both sides failed to develop confidence in each other. The atmosphere of mistrust was deepened by the surviving negative stereotypes, especially on the Belarusian side, that formed as a result of the common historical development of the neighboring countries.

Despite little hope for mutual understanding Polish diplomats still searched for means improve both Polish-Belarusian

and Minsk – Brussels relations. Therefore, in early 2012 Warsaw initiated the European dialogue on Modernization with Belarusian society that was launched as an EU project in March. The essential goal of this program was to involve Belarus into closer cooperation with the EU countries by transferring experience in reforms of different spheres: from social security and healthcare to increasing the role of the Internet in administration and public services. The program was to be implemented through seminars organized in the EU member states. The first event took place on 16–17 May 2012 in Warsaw with a focus on privatization.

Due to visa sanctions the organizers limited themselves to inviting mid- and lower-level functionaries, but Belarusian authorities totally ignored the event and Belarus was represented by the opposition, NGOs and independent journalists only. The Belarusian TV1 channel broadcasted a feature titled *Pseudo modernism* criticizing the dialogue on Modernization with the keynote that in May, under disguise of a seminar, the opposition and the Polish authorities met to “divide Belarusian enterprises.” As an argument, they distorted the opinion of the Deputy Foreign Minister Katarzyna Pelczynska-Nalecz about the inevitability of privatization and the interest of Polish investors in it. As a result, mistrust and hostility reigned in Belarusian-Polish relations once more.

The only positive moment in Minsk – Warsaw relations in 2012 was the convention of the non-recognized Union of Poles in Belarus. On 18 November, without any significant obstacles from the Belarusian authorities, the delegates elected a new chairperson Mechyslau Yaskevich, ex-chairperson of Hrodna UPB organization.

Controversies around support for civil society

Similar to 2011, a significant problem for Belarusian-Polish relations was the issue of regular support of Belarusian NGOs. In 2012 tension developed, not in relations with the Belarusian authorities but rather between the Polish Foreign Ministry and the Belarusian civil society as its beneficiary. In autumn a number of events stirred lively discussions, mainly in Poland, about

applying exclusive conditions of transferring financial support and implementation of projects with the Belarusian third sector because of Belarus specific conditions, where receiving foreign help without sanctions of the authorities is illegal.

The Polish newspaper *Rzeczpospolita* published an article with an opinion that already back in 2011, before his arrest, the human rights activist Ales Bialatski made a request of Polish diplomats not to release details of his financial records in Poland. According to the newspaper, Bialatski was to receive assurances of this, but, as we know, information was still released and he was sentenced to 4.5 years in prison. This was possible, among other things, because of the information released by the Polish side. At the same time, the media reported a leak on a public webpage from the Polish Foreign Ministry about its financing of Belarusian organizations. Although it is still not clear if the information about Bialatski's request was true or how the leak became possible, there is little doubt that these incidents are going to work out negatively on cooperation between the Belarusian civil society and Poland's authorities.

Economic cooperation and border trading

Economy is traditionally a sphere of bilateral effective cooperation despite the often disastrous political climate. The bilateral trade in 2012 practically amounted to the result of 2011, or USD 3 bn, which is a good result regarding the global economic crisis. Polish investors demonstrate significant interest in placing capital in Belarus. During the October 16th Polish-Belarusian economic forum in Minsk *Dobrasusedstva 2012* ('Neighborhood 2012') the participants negotiated a number of investment projects worth EUR 400 million that are to be realized in the next 3 to 4 years. In 2012 the amount of Polish investments could have reached USD 100 million.

But the greatest phenomenon of the Belarusian-Polish relations is the dynamic development of border trading. The reason for that is the significant difference (in favor of Poland) in prices for a number of goods, including TVs and electric household appliances, food, construction materials and clothes. Belarusians were so interested in shopping in Poland that they

spent over EUR 600 million there. A similar volume of trade was registered on the Ukrainian and Russian sections of the border, where small border traffic is effective, facilitating locals in crossing the border. One can assume that if the agreement on local border traffic of 2010 had come into effect, the profits of Polish shops would have been double as much. Therefore, the probable greater outflow of hard currency might be the reason why the Belarusian authorities block the implementation of this agreement.

Conclusion

The year 2012 brought no change in the strained and tense relations between Belarus and Poland. It became once again obvious that different understanding of mutual relations and values is a significant, or even insurmountable, barrier. Moreover, the long-standing crisis of confidence, traditional for official relations, began to show more and more in cooperation between the Polish authorities and the Belarusian civil society. The expectations that the relatively successful economic cooperation could become the basis for building-up good political relations failed. The lack of confidence sometimes developed into open hostility, absence of understanding lead to stagnation in Polish-Belarusian relations in 2012, and there are no signs that this mischievous situation is about to improve.

BELARUS–UKRAINE: BETWEEN THE CUSTOMS UNION AND THE EUROPEAN UNION

Gennady Maksak

Summary

In 2012 the relations between Belarus and Ukraine remained the same for these two countries when economic cooperation prevailed over building up political dialogue. Summits were held either in the framework of bigger international meetings or were of an informal character and hardly could claim for an attempt to solve the existing problems in mutual relations. The dialogue went on easily without the tension and political scandals observed in 2011.

It did not become possible to realize significant strategic projects either at the political or economic levels. Moreover, Minsk lost its interest in the project of transporting Azerbaijan oil through the Ukrainian oil pipeline “Odessa–Brody” as a result of normalization of relations with Moscow regarding oil transport.

Trends:

- Preserving of a high level of economic cooperation, which as a result led to a new bilateral trade turnover peak of USD 7.9 bn;
- Despite the prevalence of the energy sphere in mutual relations, strategic projects of a versatile character are not developed;
- Participation of Belarus in the Customs Union as an important factor defining certain spheres of the Belarusian-Ukrainian political and economic interaction.

Components of the dialogue

In the political sphere the tone of the bilateral interaction is traditionally set by Kyiv while Minsk focuses its attention on the neighboring state as a relevant economic partner. In most cases the initiative of the Ukrainian side in mutual relations is connected with the solution of a wider spectrum of problems in foreign policy, as well as with internal political motives.

In 2012 the drop in activity of Kyiv in the Belarusian direction was motivated by several factors. *Firstly*, this was the preparation for and carrying out of football championship EURO-2012 in Ukraine. *Secondly*, the analyzed period was dominated by the fight over deputy mandates in the Supreme Council of Ukraine.

Thirdly, last year Ukraine carried out intensive negotiations with the European Union concerning the preparation of the *Europe Agreements*. Against the background of European criticism of imprisonment of the Ukrainian opposition leaders, the problems of human rights observance in Belarus were not so much highlighted in the Ukrainian media and official releases. *Fourthly*, Kyiv tried to keep its distance from the various Russian integration projects, which determined also its response to certain actions and statements of Belarus in this context.

On the whole, in 2012 Kyiv policy towards Belarus was determined by the following tasks:

- The use of friendship with Belarus to overcome protective measures and procedures of the Customs Union (as means of pressure of Russia on Ukraine);
- The development of an economic component of the CIS in the cooperation with Belarus as a possible alternative to other integration projects under the auspices of Russia on the post-Soviet territory;
- The use of joint experience of implementation of the project of oil transporting by the pipeline "Odessa – Brody" to Mazyr oil refinery to demonstrate the possibility of joint actions of Ukraine and Belarus in order to decrease the energy dependence on Russia;
- Exclusion of Belarus from the game against Ukraine;
- Exclusion of political tension in mutual relations during the election campaign for the Supreme Council of Ukraine in the second half of 2012;
- Resolution of the fundamental issue of Kyiv concerning legalization of the Ukrainian-Belarusian border;
- A more favorable, in comparison with Belarus, positioning of Ukraine for the European partners;
- Development of trade-economic interaction with Belarus.

Minsk in its turn built the dialogue with Kyiv under the influence of the following trends and conditions. First of all, it is normalization of relations with Russia in the oil sphere. Low-cost Russian oil made the project of delivery of power resources from the Caspian region to Belarus through the territory of Ukraine economically unprofitable, which led to freezing of the project.

Confrontation with the European Union early in 2012 contributed to the fact that the Belarusian administration became less compliant in implementation of joint Ukrainian-Belarusian initiatives of a pro-European nature. The relevant factor was a necessity to overcome the consequences of the financial crisis of 2011 at the expense of expanding goods turnover with Ukraine.

In this context the following tasks were key to Minsk in the Ukrainian direction:

- The increase of trade turnover with Ukraine keeping the positive balance;
- The use of norms and regulations of the Customs Union to maximize economic gains in trade with Ukraine;
- The use of the Ukrainian position in international organizations to create a favorable agenda for Belarus;
- Minimization of involvement of Ukrainian political parties and NGO representatives in consultation of Belarusian political forces and in observation during the election campaign in Belarus.

The Belarusian-Ukrainian dialogue in the system of international and regional coordinates

Early in 2012 it was possible to forecast an active development of the political dialogue, taking into account the events at the end of 2011. What is meant here is the release of tension in personal relations of the presidents of the two countries whereas the new peak of trade turnover of USD 6.2 bn contributed to the development of interdepartmental contacts.¹ At the end of March the visit of the head of the Ukrainian government Nikolay Azarov to Minsk was announced along the diplomatic channels, however the visit did not take place on the scheduled time.²

In February some events occurred that allowed Kyiv to suspect Minsk of readiness to play up to the Kremlin in its relations with Ukraine, using restraining procedures of the Customs Union. The next day after the introduction of the ban on import of

¹ Maksak, G. (2012). Belarus—Ukraine: Neighborly Stand-off. In A. Pankovski, V. Kostyugova (Eds.) *Belarusian Yearbook-2011* (p. 94). Minsk.

² <http://5min.by/news/salamat-in-priedet-s-vizitom-v-belarus-vmesto-azarova.html>

dairy products of some Ukrainian companies to Russia the representatives of the Belarusian agrarian office made statements about the possibility to introduce analogous measures.³ Though later the representatives of the Belarusian Ministry of Agriculture reported the absence of claims against Ukrainian dairy products, since March 1, 2012 the Ukrainian side introduced the ban on import of meat and dairy products from Belarus (due to the hazard of the African plague and hygiene hazard).

It is remarkable that in reply to the Kyiv actions Belarusian representatives threatened to block deliveries of Ukrainian products not only to Belarus but also to the territory of the Customs Union (CU). Suspicions about the use of the CU by Belarus in the prejudice of economic interests of Ukraine also were aroused concerning the question of blocking of import of Ukrainian rustproof pipes to the territory of the CU.⁴

Only on May 3 it was possible to reach a compromise and to lift limits on deliveries of Belarusian meat and dairy products to Ukraine. This happened during the meeting in Minsk of the first Deputy Prime Minister of Belarus Uladzimir Siamashka and the new Minister of Economic Development and Trade of Ukraine Petro Poroshenko. Belarus in its turn lifted all import restrictions on Ukrainian beer. It was since May 2012 that the full-fledged dialogue between Belarus and Ukraine was restarted. A considerable part of bilateral top level communication afterwards was held within the framework of CIS meetings.

On May 15 during the CIS informal summit in Moscow the bilateral meeting of Alexander Lukashenko and Viktor Yanukovych took place at which a number of crucial initiatives influencing the Belarusian-Ukrainian relations were announced. In particular, the president of Ukraine invited his Belarusian counterpart to come to Chernobyl, to get acquainted with new safety measures. This invitation can be regarded as symbolical, taking into consideration the absence of Alexander Lukashenko at the Chernobyl tragedy anniversary in 2011.⁵

³ http://naviny.by/rubrics/opinion/2012/03/18/ic_articles_410_177211/

⁴ http://economics.lb.ua/trades/2012/03/13/140789_belarus_import_ukrainskih_trub.html.

⁵ Maksak, op. cit., p. 94.

Besides, Viktor Yanukovich asked to postpone Ukraine's presidency in the Commonwealth from 2013 to 2014 because in 2013 Ukraine chairs the OSCE. The member countries decided that Belarus would substitute Ukraine as chair of the CIS.⁶

The presidents of both countries also had the opportunity to meet informally at the final match of EURO-2012 in Kyiv on July 1. The Belarusian president along with the heads of other states accepted the invitation to visit this event (against the background of the refusal of many European leaders to visit Ukraine).

According to the head of the Belarusian diplomatic representation in Ukraine Valantsin Vialichka's statements, the sides worked out the official visit of Alexander Lukashenko to Ukraine⁷ which was never organized. Nevertheless one more opportunity for the meeting Alexander Lukashenko and Viktor Yanukovich had during the summit of CIS heads of state in Ashkhabad in December 2012. Except for the problems of bilateral cooperation the agenda contained the issue of relations of Ukraine with the Customs Union.⁸

The meeting of the heads of the Belarusian and Ukrainian governments also took place during the CIS Summit in September in Yalta. The head of the Council of Ministers of Belarus Mikhail Myasnikovich suggested to his Ukrainian counterpart considering some economic projects, in particular concerning pharmaceuticals and aircraft industry.⁹

Ukraine is obviously interested in developing economic mechanisms of the Commonwealth for the development of an integration platform as an alternative for the CU. On July 30, the Supreme Council of Ukraine ratified a contract on CIS free trade zone, and in August Viktor Yanukovich signed the law *On ratification of Free Trade Zone Treaty*. Ukraine became the third country after Russia and Belarus to ratify this document.

⁶ http://dt.ua/POLITICS/zamist_ukrayini_golovuvati_u_snd_bude_bilorus.html

⁷ <http://5min.by/news/lukashenko-snova-xochet-vstretit-sja-s-janukovichem.html>

⁸ http://naviny.by/rubrics/politic/2012/12/05/ic_news_112_406701/

⁹ <http://5min.by/news/belarus-predlozhila-ukraine-proizvodit-lekarstva-vmeste.html>

In concert with the development of the CIS normative basis in the economic sphere Kyiv tried to actively use the possibilities of Minsk to improve cooperation with CU countries on some considerable issues. On May 25 in Minsk another meeting of the Inter-governmental Belarusian-Ukrainian mixed commission concerning trade-economic cooperation presided over by the first vice-premiers of Belarus and of Ukraine Uladzimir Siamashka and Valery Khoroshkovsky. On the agenda there was a very acute problem of application of a special protective tax concerning the import of rustproof pipes to the territory of the CU, which caused losses of Ukrainian producers and Belarusian consumers. The Ukrainian side applied to the representatives of the Belarusian delegation to settle this issue. And the Belarusian side provided gradual support of Kyiv position in the question of changing the special tax to country quotas within the framework of the reinvestigation held by Russia.¹⁰

As for the international affairs in the Belarusian-Ukrainian relations it should be noted that the attempt of Minsk to use the Ukraine presidency of the OSCE in 2013 in the best interests. In November 2012 bilateral consultations at the level of the Ministry of Foreign Affairs concerning OSCE reform were carried out. During the consultation it was noted that it was necessary to perform further reform of the OSCE, including the improvements of methods and practice of observance during elections. Some days before the consultations at the press conference Alexander Lukashenko had called into question the prospects of the organization and also stated that the OSCE tried to impose nonexistent standards to Belarus and other countries. At the same time he expressed the readiness together with Russia, Kazakhstan and Ukraine to join the process of drawing up such standards.¹¹

Election process and mutual relations

Elections in Ukraine and Belarus have always influenced the political component of relations between the two countries.

¹⁰ Minutes of the 21 meeting of the Intergovernmental Belarusian-Ukrainian mixed commission on trade-economic cooperation, May 25, 2012.

¹¹ <http://5min.by/news/belarus-i-ukraina-dogovorilis-reformirovat-obse.html>

The elections to the House of Representatives of the National Assembly of Belarus which were held on September 23, 2012 were sharply criticized by the European bodies, while the CIS mission recognized them as democratic. Kyiv initially did not actively support the conclusions of the European Parliament and the OSCE. During the Yalta meeting on September 27 Mykola Azarov congratulated his Belarusian counterpart Mikhail Myasnikovich on the outcome of the elections.¹² Ukrainian mass-media almost did not contain any remarks of Ukrainian officials concerning the election results.

Electoral programs of the Ukrainian political parties which according to the results of the election of October 28, 2012 became parliamentary did not contain direct instructions concerning relations with Belarus. The program of the Party of Regions mentioned the strengthening of cooperation within the framework of the CIS free trade zone while the Communist Party of Ukraine was for the country's entering Customs Union, Common Economic Area, and the Eurasian Economic Community.¹³

Taking into account that the Ukrainian parliamentary election campaign received special attention by international and European bodies, positive reports of observers of CIS mission in which Belarusian citizens also took part, became an important part of the necessary informational context for Kyiv. In early October the head of the Ministry of Foreign Affairs of Belarus Uladzimir Makei stated that the Belarusian side hoped for continuation in foreign policy of Ukraine regarding Belarus, and also added that Minsk supports evaluation of the CIS mission of the Ukrainian elections. Belarus did not support the conclusions of the OSCE mission as Ukraine had traditionally done concerning the results of elections in Belarus in previous years.

The elections made their adjustments to the Ukrainian diplomatic staff in Belarus. In November 2012 the president of Ukraine dismissed Vyktor Tykhonov from the office of the ambassador extraordinary and plenipotentiary of Ukraine to Belarus as he had been elected people's deputy. At the elections to

¹² <http://www.pravda.com.ua/news/2012/09/27/6973608/>

¹³ <http://www.cvk.gov.ua/pls/vnd2012/>

the Supreme Council of Ukraine Tykhonov won in one-mandate district in Lugansk region where he represented the ruling *Party of Regions*. Officially he managed to work as an ambassador for slightly over a year.

Trade-economic cooperation

According to the results of 2012 Ukraine took the 3rd place when it comes to the sales turnover and export among trading partners of Belarus while Belarus took the 4th place among trading partners of Ukraine. Trade turnover between the two countries was USD 7.9 bn. Belarusian export was USD 5.6 bn, and import – 2.3 bn (positive balance for Belarus made USD 3.3 bn). Traditionally the basis of the Belarusian export to Ukraine are oil products, tractors and bolster-type tractors, metal products, refrigerators and freezers, tires, polyethylene, mineral and potassium fertilizers, trucks, plastic packaging, legwear, parts and equipment for cars and tractors, agricultural machinery, cord materials, synthetic fibers.

In 2012 Ukraine took *the second* position among buyers of Belarusian oil products and *the first* – among the CIS countries. According to the official data, in 2012 Belarus exported to Ukraine 4.36 million tons of oil products, which is by 44.4% (1.34 million tons) more than in 2011. As a whole, according to the results of the year 25% in the structure of the Belarus export of oil products fell to the share of Ukraine (among the CIS countries – 89.5 %).

At the same time this remarkable dynamics could not but interest Russia that delivers oil to the Belarusian refineries on terms of Customs Union. As a result of inadequate norms of the CU Minsk managed to sell diesel fuel to Ukraine in the guise of biofuel and solvents without paying Russian oil products export tax. In certain months of 2012 delivery of biodiesel fuel to Ukraine made 50% (about 150 thousand tons monthly) of the general import of Belarusian diesel fuel. These local successes of Belarus turned to problems during the signing of the oil balance with Russia for 2013.

In the Ukrainian export to Belarus the share of intermediate and investment products was more than 90 %. These are metals and metal products, oilcake and sunflower oil for the production

of mixed feed, varnish and paint, carriages and rolling stock parts. In 2012 the size of the Ukrainian investments into the economy of Belarus was USD 352.6 million, including direct ones – 351.2 million.

Cooperation in the energy sphere was considered by the sides as strategic. However prospective indicators of energy cooperation were not performed by the sides on a full scale. The project of transportation of Azerbaijan oil to Mozyr refinery through the pipe "Odessa – Brody" fell short of expectations. Though the agreement between Belarus and Ukraine provides the transporting of 4 million tons of Azerbaijan oil annually throughout 2011 – 2012, Belarus accepted only 988 thousand tons in 2011. In 2012 there were no deliveries.

Traditionally, some other cooperation projects (such as building of nuclear power plant, transit of Ukrainian electric power to the Baltic States and joint projects in gas sphere) did not progress in spite of informational and diplomatic activity of the Ukrainian side.¹⁴

Conclusion

2012 introduced new elements to Belarusian-Ukrainian relations which presumably will influence the further course of political dialogue and trade-economic cooperation. At the same time the constant priority is economic achievements.

The Customs Union became a reality in trade relations of Minsk and Kyiv, which at the first stage turned to profits (oil products sale) and losses (trade war) for Belarus.

Minsk refused the idea of energy safety at the expense of establishment of alternative deliveries of hydrocarbon from the Caspian region through the territory of Ukraine. It means that Russian-Belarusian oil crises can jeopardize the economic stability of Belarus at any time thereafter.

¹⁴ Maksak, G. (2012). Ukraine – Belarus. In *Ukrainskaya prisma: sostoyanie i perspektivy otnosheniy Ukrainy s sosednimi gosudarstvami* ['Ukrainian prism: the state and prospects of bilateral relations of Ukraine with the neighboring countries'] Local office of Fridrich Ebert Foundation in Ukraine and Belarus, p. 4 – 5. Retrieved from <http://library.fes.de/pdf-files/bueros/ukraine/09506.pdf>.

A positive point is the articulation at the inter-governmental level of the necessity to develop cooperation in building joint enterprises that produce high tech goods for markets of third countries.

The parliamentary elections in Ukraine did not influence the dialogue with Belarus, despite the fact that in December 2012 the governmental team underwent changes because of the appointment of a new Ukrainian government.

Despite the prolongation of bilateral consultations the problem of final legislative legalization of the Belarusian-Ukrainian state border remains unsolved.

BELARUS AND DEVELOPING COUNTRIES: FAULTY SINGLE-COMMODITY EXPORT ORIENTATION

Andrei Yeliseyeu

Summary

In 2012, the task to find new sales outlets for Belarusian commodities repeatedly articulated by President Alexander Lukashenko was poorly performed. The narrowness of the Belarusian export line in relations with developing countries has not been eliminated and, on the contrary, has become more obvious. Potash and nitrogen fertilizers remain the only significant commodity exported to most countries of Latin America and South and South-East Asia. The same concerns steel products going to many countries in the Middle East and North Africa.

Trade and investment cooperation with China is becoming increasingly disadvantageous, while the official media keep indulging in wishful thinking. Despite the visits of representative delegations to Venezuela, Cuba and Ecuador in 2012, the volume of Belarus' trade dropped everywhere but Cuba.

A progress in political relations with developing countries helps to ensure their neutral or sometimes positive position on the Belarusian issue in international organizations.

Trends:

- Prevalence of single-commodity trade relations with the most part of the developing world;
- Stepped up relations with the countries of South and South-East Asia, engagement in activities of the Non-Aligned Movement;
- An expansive growth of exports of oil products to Mongolia and Afghanistan;
- Disadvantageous trade and investment cooperation with China;
- Development of military-technical cooperation as an important and controversial area of interaction with developing countries.

There is no established convention for the designation of "developed" and "developing" countries or areas in the United Nations system. Various international institutions use different classifications. For conceptual convenience, the author considers the EU and associated states, the United States and Canada in North America, Australia and New Zealand in Oceania, Japan, South Korea, Singapore, Taiwan, and Israel in Asia, and the Southern African Customs Union "developed" countries and regi-

ons. The countries of former Yugoslavia, CIS republics and Georgia are not related to the category of "developing countries" here.

Political and diplomatic relations with developing countries

Belarus pursues several main objectives in relations with developing countries. *Firstly*, it is legitimization of the political regime in the international arena and demonstration to the Belarusian audience that the country is not experiencing isolation. *Secondly*, developing countries' support for Belarus' position in international organizations. *Thirdly*, it is a search for potential lenders and investors and new markets for Belarusian commodities. The primary economic task in relations with developing countries set by President Lukashenko is to expand exports.¹

Positions of foreign states on the resolution on Belarus discussed at the 20th regular session of the UN Human Rights Council are indicative. The resolution expresses serious concern about violation of human rights in Belarus and calls on the Belarusian government to immediately release and rehabilitate political prisoners. It also contains a decision to appoint a special rapporteur on Belarus². The resolution was supported by representatives of 22 countries, which can be nominally treated as developed countries. Representatives of five states – Russia, China, Cuba, India and Ecuador – voted against. All 20 abstainers except Japan and South Korea are developing or post-Soviet states.

Alongside ongoing political dialogue with Iran and Turkey and military-technical cooperation with the states of the Persian Gulf, the following important political and diplomatic events in Belarus' relations with developing countries should be pointed out.

- Official visits to Ecuador, Cuba and Venezuela, including a tour of President Lukashenko to these countries in June,

¹ <http://www.interfax.by/news/belarus/91329>

² See *Resolution A/HRC/20/L.7*. Retrieved from <http://daccess-dds-ny.un.org/doc/UNDOC/LTD/G12/146/04/PDF/G1214604.pdf?OpenElement>.

and a visit of an official delegation of Ecuador to Belarus in October 2012. Despite an advance in political relations, the Belarus-Ecuador trade turnover in 2012 was down three-fold year-on-year mainly due to slumping sales of Belarusian fertilizers. An increase in purchases of Cuban sugar in the past year led to a 250% increase in the volume of imports from Cuba, whereas the discontinuation of purchases of Venezuelan oil since June 2012 (330 thousand tons were purchased in 2012, and 1,127 tons in 2011) resulted in a decline in imports from Venezuela.

- Intensified relations with Southeast Asia. An embassy of Belarus officially opened in Jakarta in June 2012. Attending the ceremony was former Foreign Minister of Belarus Siarhei Martynau who also visited Laos and held meetings with the president and cabinet ministers of Laos. Official delegations led by former Deputy Foreign Minister Siarhei Aleinik (now ambassador to the United Kingdom) visited Indonesia twice (in March and October). In 2012, Aleinik also made official visits to Thailand, Singapore and Vietnam.
- Following the visits to India and Bangladesh in November 2012, Prime Minister Mikhail Myasnikovich announced Belarus' plans to construct five plants in these countries, including facilities for assembly of tractors and agricultural machinery, high-level processing of potatoes and processing of milk. It is however not clear yet how soon the announced projects will be carried out. In 2012, India was still confirming its interest in acquiring shares of *Belaruskali*, but no definitive agreements have been reached. Bangladesh is also interested in potash fertilizers supplies from Belarus, which was the main purpose of the visit of Foreign Minister of Bangladesh Dipu Moni to Belarus in May 2012.
- Belarus' further participation in activities of the Non-Aligned Movement (NAM)³. A delegation headed by Aleinik took

³ The Non-Aligned Movement is an informal union of 120 countries, 118 of which are countries of Asia, Africa and Latin America. It was formed mainly of states that proclaimed independence from European colonial empires and did not want to join the opposing military-political alliances led by the Soviet Union and the United States.

part in a ministerial meeting of the NAM Coordinating Bureau in May. New Foreign Minister Uladzimir Makei represented Belarus at the NAM Summit in Tehran in late August 2012. He met with representatives of Iran, Pakistan, Vietnam and Indonesia. Except for Azerbaijan, which joined the Movement in 2011, Belarus is the only European member of the organization.

Trade relations specifics: potash, nitrogen and steel as single-commodity exports

Belarus is a single-commodity exporter for almost all major trade partners in developing countries, which means that one product dominates in its exports. Potash and nitrogen fertilizers are such products in the trade with Latin America, South and South-East Asia and some African countries, and steelwork with the Middle East and North Africa (see Table 1 and 2). Rarely, Belarus supplied oil products (Afghanistan, Mongolia), tractors and truck tractors (Pakistan)⁴. Among developing countries where Belarus' volume of trade exceeds USD100 million, exports to China, Venezuela, Iran, Cuba, and Turkey are more or less diverse.

Table 1 shows that the proportion of potash and nitrogen fertilizers in Belarus' total exports to many developing countries reaches 75% to 99.9%. Among major trade partners in South and South-East Asia, the share of prevailing commodities only decreased in the trade with Thailand and Indonesia. Thailand purchased a large amount of Belarusian steel products, which explains an increase there. Diversification of exports to Indonesia was probably promoted by the Belarusian embassy, which opened in Jakarta in mid-2012. At the same time, the share of potash fertilizers in the total exports to Bangladesh, Vietnam, Malaysia, and the Philippines in 2012 went up or remained at 99.9% year-on-year, like it was with Sri Lanka.

⁴ This article used foreign trade statistics of the National Statistics Committee for 2012. Therefore, certain discrepancies with the final statistics are possible.

Table 1. Export of Belarusian potash and nitrogen fertilizers to some developing countries

Country	Export of fertilizers and total exports, million USD, 2011		Export of fertilizers and total exports, million USD		Proportion of fertilizers in the total exports of Belarus, %	
					2011	2012
Argentina	58.6	60.2	7.2	8.0	97.3	90.0
Brazil	1211.0	1224.0	792.7	801.6	98.9	98.9
Venezuela	54.0	198.8	75.3	254.4	27.2	29.6
Cuba	15.2	34.1	17.0	44.8	44.6	37.9
Bangladesh	118.0	121.1	56.6	57.0	97.4	99.2
Vietnam	145.4	164.3	145.9	156.1	88.5	93.5
India	306.1	333.0	227.7	262.2	91.9	87.0
Indonesia	146.9	160.9	70.4	90.8	91.3	77.5
Malaysia	52.2	60.7	117.5	118.3	86.0	99.3
Thailand	72.6	73.2	41.3	77.2	99.1	53.5 ⁵
Côte d'Ivoire	12.0	24.2	16.1	16.3	49.6	98.8
Mali	12.6	16.7	15.7	16.0	75.4	98.1
Nigeria	12.1	74.7	13.2	17.6	16.2	75.0

Potash and nitrogen fertilizers also prevailed in exports to many countries of Latin America (Brazil, Argentina, Colombia, Uruguay, Guatemala, and Mexico). Only in Venezuela and Cuba, the share of fertilizers made up one third of Belarusian exports, which are generally more diverse with regard to these countries. Among other significant items of Belarusian exports to Venezuela are milk and cream powder, tractors and truck tractors, and a variety of products of the machine building industry in many respects owing to construction of facilities for assembly of MAZ (Minsk Automobile Plant) vehicles and tractors. Alongside fertilizers, Cuba buys products of the Belarusian machine building industry and tires. Belarus and Cuba are planning on setting up service centers in Cuba to carry out routine maintenance of machinery of Belarusian manufacture.

As seen in Table 2, among major trade partners of Belarus in the Middle East and North Africa, steel products are not pre-

⁵ The aggregate exports of potash fertilizers and semi-finished non-alloy steel products constituted 99.3% of the total exports from Belarus.

dominant in Belarusian exports to only three states – Egypt, Turkey and Iran. Tractors and spare parts for them are an important item in Egypt; Iran purchases cargo trucks and synthetic fibers, and Turkey purchases oil products, nitrogen and potash fertilizers, synthetic fibers and other petrochemical intermediates.

Table 2. Export of steel products to some developing countries⁶

Country	Export of steel and total exports, million USD , 2011		Export of steel and total exports, million USD , 2012		Proportion in the total exports of Belarus, %	
					2011	2012
Egypt	12.7	45.2	32.4	77.7	28.1	41.7
Jordan	37.5	38.1	36.6	42.7	98.4	85.7
Iraq	21.5	22.8	21.5	23.2	94.3	92.7
Iran	6.1	129.8	5.7	111.5	4.7	5.1
Lebanon	33.2	39.7	12.0	12.1	83.6	99.2
Tunisia	12.0	12.9	30.3	30.4	93.0	99.7
Turkey	48.8	129.0	72.5	145.2	37.8	49.9
Ghana	25.6	33.2	11.2	18.4	77.1	60.9

Besides potash and nitrogen fertilizers and steel products, Belarus basically focuses on supplying oil products and engineering goods. The export of oil products to Mongolia considerably increased in 2012 (83,000 tons), and even more to Afghanistan (141,000 tons), which was ranked one of the top ten importers of oil products from Belarus in 2011. Among the developing countries, with which Belarus has appreciable commodity turnovers, Pakistan is the only one where Belarus' engineering goods dominate in the import basket. In 2012, tractors and truck tractors constituted 74% of the total Belarusian export to Pakistan (USD 39.8 million out of USD 53.9 million).

⁶ Based on the data provided by the National Statistics Committee (Ministry of Statistics) for 2011 and preliminary statistics for 2012. At the time of writing, no data on Syria were available. Therefore the country is not included in the table. In 2011, Syria's import of steel from Belarus constituted 71.2% of the total Belarusian exports to the country.

Diversification of exports through diplomatic efforts

Given the prevalence of a single-commodity export to most of developing countries, swings of demand or fluctuation of the market (especially when it comes to potash fertilizers) result in abrupt jumps in supply contract values and, consequently, the volumes of exports. For instance, in 2012, statisticians reported a significant decrease in exports to Brazil, Argentina (dropped more than 7-fold), India, Indonesia, Colombia and Uruguay, and a slight increase was observed in Malaysia, which was a direct consequence of transactions in potash and nitrogen fertilizers. An increase in exports to Egypt, Tunisia and Turkey, and a decline in total exports to Lebanon were determined by supplies with Belarusian steel products.

On the other hand, one export item also prevails in many developing countries. It is soybean oil cake in Argentina, and sugar in Cuba and Brazil. Belarus mainly buys grown rubber in South-East Asia, and natural phosphates in the Middle East and North Africa (Morocco, Syria).

These foreign trade specifics cause a relatively poor interconnection between political and diplomatic efforts of the Belarusian government and dynamics of trade relations. The world's largest importers of potash fertilizers – China, India and Brazil – have large trade turnover with Belarus regardless of political activity of Minsk in comparison with some political allies of Belarus (Iran and Venezuela).

At the same time, this interconnection is strong when it comes to exports diversity. Belarusian export items vary more in relations with the countries that have been maintaining active political cooperation (China, Iran, Venezuela, Cuba, and Turkey).

Relations with China: expectations and reality

Trade and investment cooperation with China is becoming increasingly disadvantageous, while the official media keep indulging in wishful thinking. *Firstly*, although the turnover with China is the greatest among developing countries, China's share in the overall volume of trade with Belarus is relatively modest and even decreased from 3.3% to 3.1% in 2012 year-on-year.

Secondly, Belarus' deficit in the trade with China is going up. In 2012, Belarusian exports shrank in comparison with 2011 as against the imports from China, so the deficit has approached USD 2 bn. Chinese exports to Belarus vary markedly; whereas Belarusian exports to China are quite limited in terms of diversity, although their variety is greater as compared with other developing countries (see Table 3). Potash fertilizers constitute almost a half of export revenues, around 40% comes from the trade in petrochemical products (heterocyclic compounds, oil products, synthetic fiber bundle, etc.), and only around 10% account for mechanical and electric engineering products.

Table 3. Main Belarusian exports to China in 2010–2012⁷

Commodity	Export, million USD (left), and proportion in total exports, % (right)					
	2010		2011		2012	
	Potash fertilizers	197.0	41.6	311.6	48.9	198.0
Heterocyclic compounds with a content of nitrogen atoms	136.1	28.7	178.4	28.0	93.3	21.5
Cargo trucks	24.5	5.2	17.9	2.8	24.3	5.6

Thirdly, the increasing amount of Chinese loans is not accompanied by a significant increase in the amount of Chinese direct investment in the Belarusian economy contrary to expectations of the Belarusian government. According to the national Statistics Committee, Belarus received USD 28.5 million in direct investments from China in 2010, and USD 9.4 million in 2011.⁸

The investment environment in Belarus is a problem. The history with *Obuv–Luch (Luch Footwear)* is a striking negative

⁷ Statistics digest on foreign trade of the Republic of Belarus in 2012, preliminary data of the National Statistics Committee. The total exports amounted to, USD million: 2010 – 475.8, 2011 – 636.6, 2012 – 433.6.

⁸ At the time of writing, reliable data on 2012 were not available. Reports mentioned USD 39.8 million of Chinese direct investments in the real sector of the economy, thus around 95% of foreign direct investments were attracted by foreign establishments of Belarus, see http://www.belta.by/ru/all_news/economics/Belarus-v-2012-godu-privlechet-15-mlrd-prjamyx-inostrannyx-investitsij-na-chistoj-osnove-MID_i_616693.html.

example. In October 2012, *Luch* shareholders recognized that the offer of Chinese *Foshan Nanhai Chengming Trade Co., LTD* "fitted the status of a strategic investor the most." The Belarusian government thus attempted to increase its stake in the company and, pressurized by the authorities in light of the policy pursued in the 4th quarter of 2012, the shareholders had to approve the transfer of 5.4% of shares to the government at an extraordinary meeting. Georgy Badey, Chairman of the Supervisory Board of *Luch*, was unable to forecast the future of negotiations with the potential Chinese investor after that.⁹

Military-technical cooperation

Military-technical cooperation remains important to Belarus in relations with developing countries. It was discussed during a visit of Prime Minister Mikhail Myasnikovich to the United Arab Emirates in February 2012 and the visit of Alexander Lukashenko to Ecuador in June 2012.

Cooperation with a number of developing countries (Venezuela, China, Ecuador, some countries of the Persian Gulf, etc.) is a well-known example. Belarus is heavily criticized for alleged arms deals with hardline authoritarian regimes and violation of international law. There is no comprehensive information, and finding hard evidence is too much complicated, so the allegations about breaches of international obligations by Belarus remain unproved. The frequency of such reports and messages gives rise to concern, though.

The most scandalous events and statements connected with Belarus' alleged military-technical cooperation with developing countries in 2012:

(1) In the report released in March 2012, the Stockholm International Peace Research Institute claimed that Belarus was the largest supplier of conventional weapons to Yemen and second largest supplier to Syria in 2007 – 2011.¹⁰

⁹ <http://doingbusiness.by/akcioneri-mo-oao-luch-progolosovali-za-peredachu-gosudarstvu-54-akcii-predpriyatiya>

¹⁰ Bromley, M., Wezeman, P.D. Policies on exports of arms to states affected by the Arab Spring. *SIPRI Yearbook 2012*. Retrieved from <http://www.sipri.org/yearbook/2012/files/SIPRIYBc06sII.pdf>.

(2) In response to a number of media allegations about Belarus' arms supplies to Côte d'Ivoire in violation of UN sanctions, Belarusian Foreign Ministry Spokesman Andrei Savinykh said in April 2012 that "it was not even an accusation, but a phony attempt of some journalists to muddy the waters."¹¹

(3) In June 2012, the Libyan military court sentenced three Belarusian nationals to 10 years in prison as mercenaries together with 19 Ukrainians and two Russians. They were accused of helping the Gaddafi troops to repair combat equipment during the civil war. The convicts argued that they arrived in Libya to work in the oil industry.¹²

(4) In September, the U.S. Department of Treasury imposed sanctions on Belarusian Belvneshpromservis accused of supplying the Syrian army with fuses for aerial bombs. According to the United States, Minsk established business relations with the *Army Supply Bureau* of Damascus.¹³

(5) Amnesty International claimed in September 2012 that Belarusian arms were supplied to Darfur despite the UN embargo.¹⁴

Conclusion

In 2012, Belarus was trying to step up cooperation with countries of South and Southeast Asia, as well as to deepen (Cuba and Venezuela) and expand (Ecuador) relations with Latin America. However, no fundamental changes in relations with developing countries took place. The main trends remain the same: narrow-

¹¹ http://www.belta.by/ru/all_news/politics/MID-Belarusi-oproverkaet-informatsiju-otdelnyx-SMI-o-postavkax-oruzhija-v-Kot-dIvuar-v-narushenie-sanktsij-OON_i_595398.html

¹² Russian, Ukrainian, Belarusian 'mercenaries' get stiff prison terms (June 4, 2012). In *Radio Free Europe/Radio Liberty*. Retrieved from <http://www.unhcr.org/refworld/docid/4fcf5f4c2f.html>.

¹³ Treasury Designates Syrian Entity, Others Involved in Arms and Communications Procurement Networks and Identifies Blocked Iranian Aircraft, 9/19/2012. Retrieved from <http://www.treasury.gov/press-center/press-releases/Pages/tg1714.aspx>.

¹⁴ Deadly and dangerous arms trade, Amnesty International, ACT 30/032/2012. Retrieved from <http://www.amnesty.org/en/library/asset/ACT30/032/2012/en/2590b8de-5e88-4f78-b337-677eb642962d/act300322012en.pdf>.

ness of Belarusian exports, instability of the volumes of trade with many countries caused by single-commodity orientation (often bilateral), and botched attempts of official delegations to promote economic relations with some countries. Only potash fertilizers and a certain amount of steel products remain essential in Belarusian exports.

The lack of structural reforms in the country and new competitive industries, dominating public sector of the economy and the lack of advanced big and medium national businesses are the objective factors, which impede the economic communication between Belarus and international partners and expansion of exports to developing countries. Given the circumstances, it would be too optimistic to hope for qualitative progress in foreign economic relations with developing countries in the near future.

SOCIETY

PRO-GOVERNMENT NGOS: EVERYONE CHOOSES HIS OWN SERVICE...¹

Dzmitry Brukhavetski

Summary

During the whole of 2012 the pro-government NGOs (the Federation of Trade unions of Belarus (FTUB), the Republican Public Association *Belaya Rus* and the Belarusian Republican Youth Union (BRSM)) had to define their tasks under the crisis of the Belarusian model of development and new model formation which is close to state-oligarchic capitalism. The less successful NGO in this process was the FTUB which began to lose its traditional functions of control over employees' sentiments. It may be suggested that the growth of crisis features in the FTUB's activities may lead to its reforming by the Belarusian authorities.

The Republican public association (RPA) *Belaya Rus* preserved its position as the pro-presidential elite club and has very good perspectives to strengthening them during the decline of the socially oriented policy. However, this does not imply the transformation into a full-fledged political party. It was the BRSM which reacted most adequately on the new conditions and attempted to adapt the youth policy to the new requirements of the country's authorities.

Trends:

- Increasing crisis in the FTUB's activities and declining efficiency even of its traditional function of the control over employees' sentiments;
- Further transformation of *Belaya Rus* into a kind of the pro-presidential elite club alongside with pseudo-discussions about the development of the party system in Belarus;
- The adaptation of BRSM's strategy to the authorities' requirements and developing the new forms of the youth outreach service which are primarily connected to more active participation of young people in cooperation with the authorities.

The FTUB: No! Pagliacci non siamo!² We are the trade unions!

The year 2012 is a period of further marginalization of the official trade unions. Whereas during relative social and economic stability the FTUB was enjoying the image of an organization

¹ A paraphrase of a song: 'Everyone chooses by himself...' by Yuri Levitan.

² "No! We are not pagliacci!" (It.)

which plays a certain role in improvement of employees' life, in the year 2011 the Federation demonstrated its extremely low share in the process of solving the people's social and economic problems. In theory the "rehabilitating" post-crisis year 2012 gave the FTUB a chance to raise its authority among people. However, the president needed also this chance and he claimed all merits connected with the positive changes in the social and economic spheres. The responsibility for the negative trends was held by the government, "the fifth column", the West etc. The FTUB did get its place in such a scheme.

The growth of the direct administrative pressure in the previous year also contributed to the low authority and importance of the FTUB. As a result the FTUB began to lose gradually even its traditional functions within the Belarusian model. The major functions are to control employees' sentiments and to suppress any possible protest preventing its transformation into a political one.

The Federation's inefficiency in implementing this task in 2012 was especially distinctly demonstrated by the protest growth at different enterprises: JSC *Grodno Azot*; JSC *Grodnozhilstroy*; JSC *Spetszhelezobeton* in Mikasevicy; *Elektroseti* in Orsa; *Borisov Plant of Automotive and Tractor Electrical Equipment*; Baranavicy road-building organization *DEU-3*; *Trucks base* in Hancavicy; JSC Holding company *Pinskdrev*; *Bobruisk Plant of Tractor Parts and Units*; *Promzhilstroy* in Mahiliou; JSC *Polotsk-Steklovolokno*; JSC *Lidselmash*; *Polotsk Winery*; the 2nd city hospital in Minsk; JSC Glassworks *Neman*; *Brestoblavtotrans*. One should agree with numerous experts that these protests had primarily a social and economic but not a political character and to prevent such protests is the FTUB's main task. The official trade unions' inefficiency in implementation resulted even in public criticism by certain representatives of the authorities. For example, on May 10 the head of the General Directorate of Ideology of the Minsk Oblast Executive Committee Ruslan Trukhan said that the FTUB had to resist the attempts of "destructive influence" on people especially if it is conducted by independent trade unions.

The authorities also failed to suppress the protest sentiments at the enterprise *Granit* in Mikasevicy where in 2011 more than

600 employees left the official trade union. In spite of the severe administrative pressure and significant salaries growth (in some cases the salaries were raised to 14–15 million BYR), about 300 employees are still refusing to rejoin the official trade union. The level of the authorities' concern is remarkably demonstrated by the fact that on May 3 Mr. Lukashenko charged the FTUB's head Mr. Leonid Kozik with a task to cope with the situation at *Granit*. Certainly, Mr. Kozik's involvement did not lead to any significant results.

The experience of *Granit* contributed to the development of a new method of employees' struggle for their rights: threatening to leave an official trade union and join an independent one. This resulted in the further decline of the authority not only of the FTUB but of trade unions per se. According to sociological research conducted by JSC *Zerkalo-info* (May 2012), only 43% of employees are members of the FTUB and more than 50% have not jointed any trade union. Among trade unions' members only 41% are satisfied with their activities while 40% are not satisfied and 19% were undecided.³

There are certain problems in discipline in the FTUB itself. For example, on January 10 the presidium of the committee of the Belarusian chemistry industry trade union (a member of the FTUB) at JSC *Belaruskali* did not validate the FTUB's decision to dismiss the head of the Minsk region council of the Belarusian chemistry industry trade union Kuzma Koshevski.

While the FTUB's influence inside the country comes down, the Federation tries to find new forms of its activities primarily in order to justify its importance for the authorities. As in 2011, sometimes these forms take ridiculous character (for example, in 2011 Mr. Kozik proposed to make Mr. Lukashenko a candidate for the Nobel Prize in economy). April-May of 2012 are remembered for the claim by an employee at the JSC *Mozyr Oil Refinery* Marina Tsyblyienko against opposition activist Viktor Ivashkevich to compensate non-pecuniary damage related to Mr. Ivashkevich's calls to introduce sanctions against Belarus. Certainly, this claim was sanctioned by the Administration of

³ What Belarusian people think about the trade unions. Retrieved from <http://news.tut.by/society/294809.html>.

the President which, however, understands clearly the real possibilities of Mr. Ivashkevich to lobby anything at the EU agencies. Officially this claim was organized by the FTUB.

The issue of the EU's sanctions against Belarus dominated in the FTUB's activities in the first half of 2012. However, in the policy of the Belarusian authorities the FTUB occupies a relatively narrow niche: propaganda in keeping with the spirit of the 1930–1950s⁴ and energetic international activities, primarily via left-wing trade unions. In spite of the fact that the FTUB did not succeed greatly in its international activities Mr. Kozik declared that the issues of separate countries including Belarus had not been discussed at the 101st Session of the International Labor Conference in Geneva thanks to "his personal efforts." Nevertheless, during the whole of 2012 the FTUB's relationship with the International Labor Organization was worsening and the Federation's international influence was decreasing (in many aspects due to the notorious "feudal" Decree No.9).

It is necessary to mention one more important reason of the decline of FTUB's influence inside the country – decreasing the number of employees in Belarus. For example, even according to official data on January 1, 2013 there were 4,571,100 employees in Belarus and 4,892,200 of unemployable people. Considering the size of unregistered labor migration from Belarus of 1 million people and the sociological data mentioned above it is possible to describe the prospects of the official trade unions as very vague.

Actually, during the whole of 2012 the FTUB was losing its economic (salaries growth), social (employees' protection) repressive (the possibility to fire disloyal employees) and propagandist (the decreasing influence of the official trade unions) strangleholds and was more and more marginalizing in the Belarusian political space.

The Republican public association *Belaya Rus*: the Belarusian gentlemen club

In 2012 the main substance of Belaya Rus' activities was continuing discussions on the possibility to transform this NGO

⁴ http://www.fpb.by/ru/menu_left/news

into a political party and formation the full value party system in Belarus. It is obvious that this issue can be solved only by president Lukashenko.

During the whole of 2012, A. Lukashenko regularly raised the question on party system development in Belarus. For example, on January 17 in his interview to the Chinese media the head of the state declared his readiness to start the modernization of the country's political system. However, on May 8 in his annual message to the Belarusian people and the National Assembly of the Republic of Belarus the president criticized the electoral system of party lists.

During the parliamentary election campaign the Belarusian leader preferred to concentrate on criticizing the boycott tactics and on providing the succession of the MPs rather than on *Belaya Rus'* transformation into a political party. The president raised this question only after the parliamentary elections which were strictly organized on the scenario developed by the Administration of the President. On December 5 the president discussed the issues of party system formation with the first secretary of the Communist party of Belarus, the deputy head of the government of Minsk city Mr. Igor Karpenko. This meeting is very indicative: actually the authorities try to represent the Communist Party as one of the possible (together with *Belaya Rus'*) centers of party system formations i.e. to complicate the process which has even not started.

On October 11 at the final session of the Council of the Republic and the House of the Representatives Mr. Lukashenko declared that there was no need to radically change the electoral system due to the absence of the full value parties. *Belaya Rus'* can become such a party but this process should not be hurried. The Belarusian leader repeated this idea on October 16 in an interview to the Russian media: the party system has to be formed naturally, the parties should not appear due to the government support and that is why the president will not support this process.

On November 24, in the face of apparent restrained international reaction on the results of the Belarusian parliamentary elections, Mr. Lukashenko declared that the party system was definitely unsuitable for Belarus and even the possible

political modernization did not imply the formation of full value political parties. These words describe the political situation in the country very accurately. Any political party even if it is the most pro-presidential one, first of all, will be considered by Mr. Lukashenko as a rival. Secondly, the party system will demand a more delicate approach in public administration while during recent years there is an evident process of its simplifying which does not promote party system formation.

Within the framework of the Belarusian political system *Belaya Rus* has its strictly defined functions: to unite the administration of state enterprises and organizations in a kind of club and to serve as an additional mediator between these organizations and the Administration of the President. *Belaya Rus* copes with these tasks successfully and that is why there are no preconditions for its reforming. So-called "discussions" about a possibility of political reforms and party system formation in Belarus serve to be additional arguments in the dialogue with the West and are mainly aimed at external consumption.

**BRSM: "We are still not a member
of the Law enforcement mobile troops (LEMT)?
Then the LEMT will come to you!"**

The actions by young people in 2011 caused serious anxiety of the Belarusian authorities. In this relation the Belarusian Republican Youth Union is considered by the president and his Administration as one of the most effective tools to influence the sentiments of young people. In spite of certain criticisms against the organization by a number of public figures (overestimated number of participants, formalism in activities, coercive membership etc.), Mr. Lukashenko is inclined to reject the unsatisfactory features in the Union's activities.

The Belarusian leader demonstrated his special favor to the BRSM's initiative 100 ideas for Belarus which was even mentioned in the annual message to the Belarusian people and the National Assembly of the Republic of Belarus. The president gave a task to transform this initiative into a permanent program. On December 10 there was a meeting between Mr. Lukashenko and the BRSM's first secretary Mr. Ihar Buzouski in which the

Belarusian leader once more stated his full support of the organization.

A new feature in the BRSM's activities is an attempt to engage its members in more active participation in the work of different security forces. The BRSM has so called "Law enforcement mobile troops" whose legitimacy is highly questionable (actually, these troops can be considered as the armed wing of an NGO). However, at the meeting on December 10 Mr. Lukashenko called the BRSM to be a reserve for the country's security forces. The Union's cooperation with these forces began to develop especially active after such words of the president.

Partly it is connected with plans to reform the Ministry of internal affairs and aims to reduce its personnel. But what seems to be more important is the authorities' attempt to strengthen their presence among young people and involve them to direct cooperation. More attention is given to different informal youth organizations which activities are not connected with politics.

Being aware of certain problems of young people, the authorities try to use the BRSM in order to improve their image among this part of the Belarusian people. During the period considered Mr. Lukashenko visited in short intervals three universities in Minsk: the Belarusian State University (the Faculty of the international relations), Belarus State Economic University and the Belarusian State University of Informatics and Radioelectronics where he made a number of statements on the situation in the sphere of education. Some of them were apparently populist ones but others can be considered as a sign of one more large reform of the system of education. The main contest of this reform would be reducing the quality of education and replacement by young people a serious personnel deficit which became a predictable result of natural dying out of soviet specialists and specialists' drain from the country. Thereupon, it cannot be excluded that the authorities will even introduce certain elements of the alternative (unarmed) service.

Thus, the BRSM is responsible for increasing the loyalty of young people and their managed integration into the political life in Belarus. A member of the LEMT who in the best case graduated after four years of study from a "practice-oriented" university seems to be an ideal representative of

those young people who should be trained within the ranks of the BRSM.

Conclusion

Unlike the previous year, the year 2012 witnessed positional differences between the three largest pro-government NGOs. This is connected with the necessity to adapt to changes in the social and economic (possibly, also in the political) model of the country's development. *Belaya Rus* adapted to the new trends to the largest extent, the BRSM began to revise its activities while the FTUB coped with this task to the least extent. It can be suggested that it can lead to the reforming of the Federation itself.

THIRD SECTOR: SOLIDARITY AND COMPETITION

Irina Dounaeva

Summary

In 2012, Belarus saw a certain increase in the number of public associations and civil initiatives mainly owing to those registered outside the country, and non-profit organizations, which act without official registration. The legal framework of the third sector remained constrained, and the law enforcement practice was still based on the presumption of illegitimacy of civil society institutions, especially human rights defenders. Courts were used as a tool of pressure on civil society activists.

The National Platform of the Eastern Partnership Civil Society Forum drew public attention by holding debates basically focused on discussing the expediency of civil society involvement in the political life of the country. The March and November conferences of the National Platform adopted a development concept, which expanded the activity area and radicalized the position of the platform. Disagreements expressed by a number of reputable NGOs did not promote civil society consolidation.

The European Dialogue on Modernization with Belarusian Society began in 2012 as a potentially beneficial project from the point of view of EU dialogue with Belarusian political forces, which possessed resources required for a reform (the opposition, civil society and the state). However, the authorities refused to treat civil society as a partner in negotiations. Civil society cannot engage in a full-scale dialogue with the government until political prisoners are released.

Trends:

- Behind the official picture of the growing number of NGOs is a tendency towards ghettoization, going underground and pushing genuine civil society organizations out of the country;
- Regardless of legislative prerequisites for NGOs' engagement in social services, the government still ignores the contribution of the third sector;
- The sense of solidarity in the third sector remains poor in many respects due to personal ambitions of its leaders;
- Stronger participation in the political life is a dominant trend in the National Platform of the Eastern Partnership Civil Society Forum, and the associations, which only regard the national platform as a possibility to communicate, can pull out at any moment.

Third sector in the mirror of government statistics

According to the Ministry of Justice, as of January 1, 2013, the number of registered NGOs in Belarus finally exceeded the number reported in early 1999: 2,477¹ against 2,433. The president prohibited acting on behalf of unregistered associations by the decree issued on January 26, 1999. Many organizations were denied re-registration, which followed the decree in the middle of the 1990s, and the number of nonprofit organizations dropped to 1,537.² By August 2002, the number of public associations increased slightly to 1,980, and 268 new organizations joined them by November 2003. The number remained almost the same in the next seven years, 2003 through 2009. It went up again in 2010–2012 (see Table 1).

Table 1. Changes in the number of NGO

1999	1,537	
12.08.2002	1,980	+ 443
30.10.2003	2,248	+ 268
01.01.2004	2,214	– 34
01.01.2005	2,259	+ 45
01.01.2006	2,247	– 12
01.01.2007	2,223	– 24
01.01.2008	2,255	+ 32
01.01.2009	2,221	– 34
01.01.2010	2,225	+ 4
01.01.2011	2,325	+ 100
01.01.2012	2,402	+ 77
01.01.2013	2,477	+ 75

If the changes in the number of associations and relevant public life events are taken together, it becomes obvious that the third sector is going through very painful adjustments caused by the legal regulation of its activities. The greatest reduction in the number of NGOs was observed during the re-registration in 1999. The campaign on bringing charters

¹ http://www.minjust.by/ru/site_menu/news?id=1310

² According to http://www.actngo.info/files/freedom_assoc_belarus_ru.pdf.

into line with the new wording of the law on public associations (2005) was not fatal, but also had a negative impact on the third sector.

An increase in the total number of NGOs in the last three years to a certain degree resulted from the authorities' policy aimed at formation of pro-governmental NGOs and associations. With regard to areas of activities in recent years (2007, 2009 and 2012), the statistics shows a slight increase in the share of physical culture and sports oriented NGOs (23.5, 23.5 and 25.3%, respectively) and youth associations (6.8, 7.6 and 10%). Fluctuations in the share of other organizations (charitable, artistic, ethnic, women's, conservationist, historical, and cultural organizations, and those of disabled war veterans and disabled workers) were insignificant. The only category, which showed a significant decrease in the proportion of NGOs, is enlightenment, cultural, recreational and educational organizations (from 13.8% in 2007 to 8.9% in 2012).

In general, the official statistics draws a relatively trouble-free picture of civil society development in the country. But in reality, the authorities create a false civil society, which is only a democracy stage set.³ True NGOs face serious and sometimes insurmountable problems with registration and re-registration. Their share in the State Registration of Legal Entities and Individual Entrepreneurs (USR) is gradually reducing, and the proportion of organizations, which are either beyond the democratic context or take an apologetic stand towards the government, is going up. These processes are not reflected in the official statistics, though.

The lack of official statistical information about the actual number of NGOs in Belarus is one more serious flaw. Experts say the State Register provides no data on the associations and initiatives, which have to operate without registration, the associations, which more and more often obtain registration as establishments, and more Belarusian organizations and public

³ The book of the former and present ministers of justice *Public Associations of Belarus: Progress and Achievements* was published back in 2010 "in order to provide greater transparency of public associations", as written in the annotation on the ministry's website. See: http://www.minjust.by/ru/site_menu/news/?id=576.

initiatives registered outside the country but working in Belarus.⁴

Legal environment for the third sector

Two groups of indicators can be used to characterize the legal environment created for the third sector: first, the legal regulation (constitutional provisions, laws, bylaws, etc.), and, second, the law enforcement practice.

As concerns the *legal regulation*, enacting of the law on social services can be outlined as the most significant positive event. Noteworthy are both the essence of the major innovations, such as introduction of state commissioning of social services, and the mechanism for working out a new wording in direct cooperation with NGOs. The law, which came into force on January 1, 2013, allows engaging NGOs in provision of social services and implementation of social projects. Although the law is quite promising in terms of closer partnership between the state and the third sector, activists are concerned about the *possibility* to sign up a social order given that the competitive selection of candidates is complicated and nontransparent, the NGO's potential assessment procedure is intricate, and there is a threat of creation of pseudo non-profit organizations for executing an order.

On July 31, 2012, the House of Representatives received the bill *On Amendments to Some Laws of the Republic of Belarus on Activities of Political Parties and Other Public Associations*, which, unlike the previous one, was neither given publicity at its development stage, nor brought up for public discussion. Experts note that although the bill envisages a certain softening of demands for registration of public associations, it does not abolish the authorization principle and does not eliminate the threat of bureaucratic arbitrariness.⁵ Taken as a whole, the bill is not aimed at civil society development.

⁴ Chavusau, Y. Nongovernmental Organizations in Exile. In *Nashe Mnenie*. Retrieved from <http://nmnby.eu/news/analytics/4196.html>.

⁵ Findings of the monitoring by Centre for Legal Technologies and Assembly of Democratic NGOs of 2012. In *Nashe Mnenie*. Retrieved from <http://nmnby.eu/news/analytics/5095.html>.

The Criminal Code of Belarus still has section 193.1 *Illegal organization of activities of a public association, religious organization or foundation or participation in their activities*. Many public initiatives and organizations, which were unable to obtain official registration, have to operate under the threat of imprisonment for up to two years established by this section. Attempts made by human rights defenders to abolish the odious section, which has no analogue in Europe, have been unsuccessful in the past year. Moreover, in response to the appeal of activists⁶ of the public initiatives *Right of Belief* and *STOP 193.1!* addressed to government institutions, the Ministry of Justice and the Council of the Republic said they were not entitled to initiate its abolition.

The legal framework for nonprofit organizations does not meet present-day international standards, but disregard of laws in Belarus is even more disturbing. Provisions of the Constitution and laws do not have actualization mechanisms as rules with direct effect. The law enforcement practice remained hostile to civil society institutions, particularly when it comes to human rights NGOs and organizations of democratic orientation. It is still based on the presumption of undesirability of existence of grassroots associations. It is manifested in unlawful denial of registration of organizations and grants, artificial obstacles to statutory goals of organizations, the prohibition on foreign trips of civil society activists, biased fiscal policy, and so on.

The liquidation of the outreach and awareness-raising center *Platforma* in October 2012 at the suit of the Ministry of Taxation is a vivid example. The organization was engaged in monitoring of due process of law in correctional institutions. It was charged with late filing of tax returns and non-residence at the actual legal address. It was enough for the Minsk Economic Court to liquidate the human rights organization.

Unlawful decisions against NGOs not always hide behind the seemingly plausible explanations. They sometimes are openly scoffing, as it was in the case of the NGO *Dobraya Volya (Good Will)*. Members of the association, which was protecting rights of children, informed the Ministry of Education of violations

⁶ <http://belhist.ru/2012/12/sovet-respubliki-statja-193-1-ohranjaet-prava/>

committed by officials of the ministry in relation to foster families and orphans. The Ministry of Education lodged a complaint to the Ministry of Justice and, on November 26, the Supreme Court suspended activities of the NGO. The Ministry of Justice did not like the capital "V" in the name *Dobraya Volya* (*volya* can mean *freedom* as well), which it said was unlawful, and also the advertising prints on NGO's envelopes. Harassment did not stop even after the requirements of the Ministry of Justice were met. On January 29, 2013 *BelAPAN* announced the next inspection of the NGO.

As before, civil activists were often prosecuted for administrative offenses, such as disorderly conduct (section 17.1 of the Administrative Code), or disturbance of mass events (paragraph 23.34 of the Administrative Code), as seen from the monitoring reports of the Legal Information Center (footnote 5). Courts unlawfully treat civic engagement as an offence against the law that discredits the judicial system and demonstrates its servility.

Debates on the extent of consolidation and a common strategy of civil society

Debates on the extent of consolidation and a common civil society strategy in many respects determined the life of the third sector in Belarus in 2012.⁷ As in the previous year, the National Platform of the Eastern Partnership Civil Society Forum was used for that. Two conferences of the National Platform were held on June 29–30 and November 16. By the time of the first conference, the National Platform united 58 permanent organizations-panelists.

The most heated disputes were caused by the National Platform development concept worked out by the *EuroBelarus Consortium*. Objections raised by Siarhei Matskevich, member of the Platform's Interim Coordinating Committee and head of the Assembly of NGOs, concerned prospects of the National Platform should it enter the national political arena, i.e. expan-

⁷ The history of events in the life of civil society in Belarus is described in detail by the Centre for European Transformation of the international consortium *EuroBelarus*.

sion of its functions outward the Belarus–EU cooperation. Some participants also disagreed with proposals on institutional development of the Platform as a centralized hierarchical structure. Critics of the concept also emphasized that the Platform was not entitled to establish a consolidated position of civil society in its own name, because it would contradict the very essence of the association, which was set up for discussion and communication only to ensure independency of individual members. As a result, the parties decided to get back to the concept next time.

The Conference elected the coordinating committee: Chairman Uladzimir Matskevich (head of the Rada of *EuroBelarus* international consortium), honorary member Ales Bialatsky (chairman of the Human Rights Centre *Viasna*), members of the committee Ulad Vialichka (*EuroBelarus* chairman), Yuras Gubarevich (deputy chairman of the *For Freedom* movement), Siarhei Drazdouski (coordinator of the Office for the Rights of the Disabled), Pyotr Kuzniatsou (member of the board of the civil initiative Homiel Democratic Forum), Siarhei Matskevich (chairman of the Assembly of NGOs), and Volha Smalianka (director of the Legal Transformation Center). The delegates also listed the organizations recommended for participation in the Eastern Partnership Civil Society Forum in Stockholm in November 2012.

The debates on the Platform concept for the years 2012–2014 became even more intense at the second conference held in November when its revised variant was discussed.⁸ Approved by the majority (two thirds of the voters), this document expanded the Platform priorities by adding domestic policy matters to the scope of European-Belarusian relations. Such reputable institutions as the Assembly of NGOs, Belarusian Helsinki Committee, *Salidarnasc*, Belarusian Association of Journalists, Belarusian Institute for Strategic Studies, and some others voted against the concept. In their opinion, it contradicts the statutory goals of their organizations, the memorandum of cooperation between the Platform members signed on October 29, 2011, and takes the Platform outside the Eastern Partnership Civil Society Forum.

⁸ http://eurobelarus.info/files/File/Kontseptsiya%20NP-versiya%203_3.doc

The developers explained that the concept did not provide for participation of civil society in the struggle for power, but only focused on resolution of broader problems in the life of the country.⁹ This however did not satisfy the opponents, because no one disputed civil society's engagement in unconventional forms of politics. On the contrary, the increasing number of unregistered associations and initiatives, opening of online media outlets, and discussions on web forums¹⁰ indicate that a significant part of social-minded people striving for changes in social life come out from the sphere of state legitimacy. Many are not happy about the attempts to build up the National Platform as a centralized organization with permanent membership, the management of which will be able to speak with the government and Europe on its behalf.

The confrontation of opinion is caused by different understanding of what civil society is. Simply defined, the positions of the participants gravitate toward one of two alternatives. The *first* one considers civil society as an agent of unconventional policy. In this case, the National Platform serves for public determination of goals and objectives, assessment of achieved results, and search for strategies to pressure the government in the interests of social transformations. Advocates of the *second* one see civil society as the most capable sociopolitical actor (especially after the political opposition's defeat in the 2011 and 2012 elections). The attempt to instrumentalize the Platform to build up the political capacity of civil society was largely determined by the upcoming parliamentary elections. However, the heated debates on the opportunities and partnership between the Platform and the political opposition have not led to a consolidated position that was obvious during the debates on the National Platform concept.

Development of the national platforms was heatedly discussed not only in Belarusian civil society. It topped the agenda of the

⁹ <http://eurobelarus.info/news/policy/2012/12/03/andrey-egorov-grazhdanskoe-obschestvo-ne-mozhet-ne-uchastvovat-v-politicheskikh-otnosheniyah.html>

¹⁰ http://www.zautra.by/art.php?sn_nid=12213&sn_cat=7

IV Eastern Partnership Civil Society Forum in Stockholm on 29–30 November 2012 together with few other matters. Yaroslav Bekish was elected national coordinator on Belarus at the Forum.

The civil society engagement in political process is not the only topic for discussion in the democratic community of Belarus. In view of the threat of the EU's expanded sanctions against Belarus, the Brussels-based Office for a Democratic Belarus made a statement on February 1 calling on to amend the list of persons subject to the sanctions. The Office proposed to cross out university heads, some journalists and officials who have vacated their offices, and Belarusian tycoon Vladimir Peftiev, who the European Union believes to be one of the sponsors of the regime. The Office also suggested expanding the black list, but not all participants seemed to hear it. The major point for reconsidering the list was an opportunity to prevent isolation of Belarus and to promote a reform of higher education and release of political prisoners.¹¹

The statement triggered a strong reaction. Centers of Belarus' political emigration urged to tighten sanctions against Belarus.¹² They were seconded by a number of organizations in the country. Some leaders voiced support for cutting the list, even though both sides noted that the Office did not appeal to public opinion.

In fact, behind the disputes over the sanctions is a more substantial issue marked by sharp antithesis: who is capable of effecting changes in Belarus. Either the political opposition in exile or forces inside the country (civil society, the political opposition) have resources for that. As for the opposition, it makes sense to put forth an effort towards negotiation, dialog and, consequently, support for democratic forces in the country. If the chances of success are slim, support for political forces outside Belarus should be focused on. Both sides agree that democratic reforms are highly relevant, but the resources allocation problem,¹³ which is not discussed publicly, is still a stumbling block.

¹¹ <http://news.tut.by/politics/271990.html>

¹² <http://afn.by/news/i/163322>

¹³ http://charter97.org/index.php?c=ar&i=2012-2-8:47796&p=1&c2=calcym&combo_calmonth=7&combo_calyear=2010

The launch of the EU initiative European Dialogue on Modernization with Belarusian Society was announced on March 29, 2012. It is aimed at assistance in preparation of a reform in Belarus with the participation of experts from the European Union, the political opposition, Belarusian civil society, and, possibly, the authorities. Four expert working groups and a steering committee have been formed. Further advancement of the initiative requires not only tangible support from the European Union, but also not less elusive consolidated position of civil society and the opposition. Besides, the problem is that last year the government refused to engage in dialogue with the European Union unless the political opposition and civil society stayed away.

Conclusion

The past year saw a growing alienation between civil society and the state. The authorities did not contribute to civil society development, but erected legal, ideological, bureaucratic and fiscal barriers. The judicial system, which totally depends on the regime, does not guarantee that even the existing laws will be enforced. The state is suspicious about any uncontrolled initiative and pushes public associations out of the legal field that enhances marginalization of the third sector. This is an ambiguous process: freedom from one kind of restrictions and ghettoization, which means other restrictions. The government does not want to see civil society as a partner.

The law on social partnership is one the few positive facts. Disputes within the main discussion area of the third sector – the National Platform of the Eastern Partnership Civil Society Forum – concentrates on strategies: either civil society consolidates with the political opposition and comes on the political stage as a full-fledged actor, or distances from the government and acts as a self-organizing community. This leaves the prospect of civil society consolidation open.

POLITICAL PARTIES: BETWEEN A BOYCOTT AND PARLIAMENTARY ELECTION CAMPAIGNING

Yury Chavusau

Summary

The coordination platforms used by the democratic opposition lost their value under the influence of the factor of the elections to the House of Representatives. New alliances and interaction patterns emerged in the course of the election campaign. These alliances took the shape of proto-coalitions after the elections and will determine the preparation for the local elections scheduled for late 2013 and negotiations within the opposition in 2014–2015, although the political framework can change by the time of the presidential election.

The intention of the NGO *Belaya Rus* ('White Ruthenia') to transform into a strong ruling party were not encouraged by the Belarusian political leadership and will not be actualized in the foreseeable future.

As usual, the parliamentary election campaign was followed by a certain improvement of the electoral legislation, which however does not make the electoral process more liberal.

Trends:

- The focus on foreign policy and economic sanctions against Belarus in 2012 relevant to opposition parties in 2011 changed to a focus on domestic policy;
- Infrastructural resources of political parties were brought up to date, which resulted in declining importance of the political framework and transition of actions and strategies of the Belarusian opposition forces in emigration to a purely rhetorical dimension;
- A clash of views between different parts of the opposition resulted in formation of several decision-making centers;
- The electoral role of political parties loyal to the regime increased, but the regime did not sanction establishment of a "ruling party."

Political agenda

The parliamentary elections topped the political parties' agenda in 2012. Participation of candidates from the democratic opposition in the elections was a question of principle. Although opinions on the election tactics differed fundamentally: neither a boycott, nor campaigning would have enabled democratic

parties to qualitatively change the terms of political struggle.

The democratic opposition split into three groups with regard to their views on the tactical dilemma. Among the officially registered parties only of the Conservative Christian Party Belarusian Popular Front (CCP-BPF) was firmly committed to a total boycott of the elections. The Boycott coalition united CCP-BPF supporters – the trade union of the radio-electronic industry, the organizing committee of the Belarusian Movement party, European Belarus campaign, and Malady Front ('Young Front'). Registered democratic parties distanced themselves from this campaign: the CCP-BPF did not join this coalition, and support from the Belarusian Social Democratic Hramada was limited to speeches by its leader Stanislau Shushkevich.

The tactics of limited participation in the parliamentary elections was given warm encouragement by a number of opposition parties, which announced their intention to nominate their candidates to the parliament and pull them out before the ballot day unless the government meets specific conditions (the lists of the conditions varied, but they always include the demand to release political prisoners and change the legal and practical terms of the electoral process). This approach was taken by the Belarusian Popular Front, the United Civic Party (UCP) and the unregistered Belarusian Christian Democracy Party (BCD).

Full participation in the elections, including presence of candidates' names in the ballot papers was advocated by the Belarusian United Left Party *A Just World* and the Belarusian Social Democratic Party (Hramada) seconded by politically active social institutions, such as the Human Rights and Educational Movement *For Freedom* and *Tell the Truth* campaign. Their position aroused fierce criticism among boycott advocates, because during the negotiations at the level of general statements in 2011, these organizations subscribed to the opinion that participation in the elections was unacceptable until political prisoners are released.

Other political questions, including those related to the international isolation of Belarus and sanctions imposed by the European Union and the United States on the country's leadership

and businessmen who sponsored the regime, pale into insignificance against the background of these debates.

The major point on the post-election agenda of political parties concerned preparation for the next presidential election in 2015, including the possible options for nomination of a joint candidate from the democratic opposition (for example, through holding a congress of the democratic forces or primaries). An attitude to the economic strategy of the government was also an important point in terms of reaction to the policy pursued by the authorities. At the same time, a number of political organizations are trying to find an adequate response to the new challenge – the dropping popularity rating of president Lukashenko, which is however not accompanied by a rise in the rating of the opposition. A search for a key to the “new majority”, which does not trust either Lukashenko or the opposition, is declared as a fundamentally important task.

Party measurement of the parliamentary elections

The 2012 elections were a first test of the revised Electoral Code adopted in 2010 under the slogan of empowerment of political parties. According to the Central Commission for Elections and National Referenda (Central Election Commission, CEC), the introduced amendments resulted in a four-fold increase in the number of candidates nominated by political parties as compared with the previous elections to the House of Representatives in 2008. The registered candidates nominated by political parties were also four times as many as in 2008.¹

The Electoral Code established the institution of CEC member with a consultative vote, which was introduced in 2004 and 2008 by special decrees of the president. Seven political parties exercised this right in 2012: the oppositional United Civic Party, Belarusian Popular Front, United Left Party *A Just World*, and Belarusian Social Democratic Party ('Hramada'), and loyal

¹ *Elections to the House of Representatives of the National Assembly of the Republic of Belarus of the fifth convocation* (electoral statistics digest). Minsk, 2012.

Communist Party of Belarus, Liberal Democratic Party, and Republican Party of Labor and Justice. They were eight in 2008.

The presence of political parties in district election commissions was much stronger than before, primarily because the Electoral Code established a mandatory quota: one third of the commissions' staff must be constituted by members delegated by political parties and NGOs (this rule applies to local commissions as well). However, the seats under the quota were taken by representatives of loyal parties and public organizations, so the presence of the opposition was far from the participation target. Opposition parties were quite active and filed 199 applications in total (9.4% of the total number of nominees and 49.8% of those nominated by political parties). Although the number of opposition representatives admitted to district commissions slightly increased in comparison with the parliamentary elections of 2008, the number of refusals remained very high.

Opposition parties were represented in district commissions by 48 people (3.3% of the total number of commission members and 24% of those nominated by opposition parties). For reference: during the 2008 parliamentary elections, opposition parties nominated 118 candidates to district commissions and 38 of them were admitted (2.2% of the total number of commission members and 32% of the candidates from opposition parties). It is important that the composition of the commissions did not change considerably: workers of government agencies, enterprises and establishments, who represented their organizations in 2004 and 2008, were delegated in large numbers in 2012 by political parties and public associations loyal to the government.

Opposition parties were less active in promoting their candidates to local commissions as against 2010. In the 2010 presidential election, 1,073 candidates from opposition political parties constituted 1.3% of the total number of candidates for election commissions. This year, 664 candidates from five opposition parties constituted only about 0.8%. Interestingly, the Liberal Democratic Party, which positions itself as a mass party, ignored the nomination for election commissions. On the other hand, the number of nominees from other loyal parties significantly increased. For example, the Republican Party of Labor and Justice nominated twice as many people as during the presidential election of 2010.

Several opposition groups (the Minsk city and regional branches of *For Freedom*, the Hrodna regional branch of the Belarusian Popular Front) attempted to register local organizations shortly before the elections but were turned down. As a result, they were denied the right to nominate their members to the election commissions in those districts.

A comparison of the "admission percentage" of pro-government and opposition parties and NGOs gives grounds to speak about a discriminatory approach in formation of district election commissions (see Table 1).

Table 1. Admission of candidates from opposition and pro-government associations to district commissions²

No.	Name of the party or public association	Nominated	Admitted	% of admittance
<i>Parties and public associations loyal to the authorities</i>				
1.	Belarusian Agrarian Party	571	485	85
2.	Communist Party of Belarus	845	635	75
3.	Republican Party	262	235	90
4.	Republican Party of Labor and Justice	832	704	85
5.	Belarusian Social-Sports Party	609	551	90
6.	'Belaya Rus'	4,799	4,189	87
7.	Belarusian Republican Youth Union (BRSM)	4,345	3,674	85
8.	Belarusian Union of Women	4,037	3,791	94
9.	Belarusian Public Association of Veterans	3,138	2,635	84
10.	Federation of trade Unions of Belarus	10,400	9,418	91
<i>Opposition parties</i>				
11.	Belarusian Green Party	20	0	0
12.	Belarusian United Left Party <i>A Just World</i>	216	39	18
13.	Belarusian Social Democratic Party ('Hramada')	30	5	17
14.	United Civic Party	240	5	2
15.	Belarusian Popular Front	158	12	8

² Interim report of the Human Rights Defenders for Free Elections campaign regarding the results of monitoring of formation of district election commissions.

The proportion of representatives of four opposition parties in the total number of election commission members was approximately 0.1% (61 people out of 68,945). During the 2010 presidential election, five opposition parties had a 0.26% representation (183 people out of 70,815). In Minsk, where political activity was the highest, opposition parties nominated 186 people and none of them was admitted to local commissions.

In constituencies where opposition leaders (Alaksandr Milinkevich of *For Freedom*, Alaksei Yanukevich of the Belarusian Popular Front, and Uladzimir Navasyad of the Party of Freedom and Progress among them) ran for parliament, election commissions did not include a single representative of the opposition despite determined attempts of the latter to obtain commission mandates. None of complaints which followed the refusals was sustained in court.

As many as 440 applications for registration of initiative groups for collecting signatures for nomination of candidates were filed and 352 groups were registered. They were going to mobilize 330 people and some applicants registered several initiative groups in various constituencies (Table 2). Opposition parties only registered 58 initiative groups: the Belarusian United Left Party *A Just World* had 26, Belarusian Popular Front 18, United Civic Party 4, Belarusian Social Democratic Party ('Hramada') 9, and Belarusian Green Party 1. Parties not affiliated with the opposition registered seven initiative groups: the Communist Party of Belarus 5, Belarusian Agrarian Party 1, and Republican Party of Labor and Justice 1. Eighty-five groups were turned down, which means that the number of refusals went up 4-fold in comparison with the previous parliamentary elections.

Nevertheless, there is no reason to conclude that the practice of refusals to register was tightened. Only 15 applicants were turned down this time. The number of initiative groups, which did not obtain registration, was large among other things because the groups of Mikalai Statkevich and Ales Mikhalevich tried to get through registration in several district election commissions at once. During the previous election campaigns, observers did not report any attempts to register several groups by one person.

Table 2. Registration of initiative groups³

Year of elections	Applications submitted	Registration denied	Registered	% of refusals to register
2004	635	71	564	11
2008	455	23	423	5
2012	440	85	354	19

Four hundred and ninety-four people were delegated across the country somehow or other and 122 (24.6%) of them were not registered. Candidates ran unopposed in four districts (two districts in the Minsk region, one in the Brest region, and one in the Hrodna region). Representatives of political parties nominated 204 candidates (41% of the total number of nominees).

Most people, who were denied registration, stood for election through collection of signatures (56%). Inaccuracy of signatures (more than 15% of the checked ones) and errors in tax declarations were the most popular explanations given by the Central Election Commission. The public campaign *Tell the Truth* nominated 25 activists through collection of signatures. Only 13 of them (48%) were registered. Registration was denied to *For Freedom* movement leader Mr. Milinkevich, former Minister of Defense, now member of the United Civic Party General Pavel Kazlouski, as well as 23% of nominees from political parties, including 19.5% from the opposition.

As usual, the smallest number of refusals to register was reported among those nominated by staffs of organizations: only 3 out of 19 nominees (15%) bowed out of the campaign. All those nominated through collection of signatures and by staffs in combination were registered (89 out of 89). Noteworthy is that candidates backed by the authorities are usually nominated this way. Given that the government closely controls enterprises, it is clear that opposition candidates simply cannot be nominated by staffs.

³ Summary report of the Human Rights Defenders for Free Elections campaign regarding the results of monitoring of the elections to the House of Representatives of the National Assembly of the Republic of Belarus of the fifth convocation.

The CEC received 56 complaints against decisions of district commissions to deny registration of candidates and one complaint against revocation of registration. There were fewer such complaints during the 2012 campaign than in 2004, when 164 applicants exercised the right to appeal against refusals, and almost the same number as in 2008 (52 complaints). Eleven out of fifty-six complaints were satisfied.

Among the 11 registered candidates, three were not affiliated with any party, six represented the United Civic Party and the Belarusian United Left Party *A Just World* (three each), and two represented the Liberal Democratic Party and the Belarusian Popular Front (one each). By satisfying around 20% of complaints, the Central Election Commission surpassed the number reported in 2008 (8 out of 52, or 15%) and did not reach the number of 2004 (44 out of 164, or 26%). The CEC received 19 complaints against earlier ungrounded refusals to register by district commissions. Only one of them lodged by Viktor Tsiareshchanka was satisfied and the applicant was registered as a candidate.

The United Civic Party and Belarusian Popular Front, which chose the tactics of campaigning on certain conditions, pulled out their candidates before voting. Only one candidate from the Front violated party discipline and stayed in the race till the end. Sometimes, members of opposition parties, who did not want to employ the tactics of withdrawal, kept campaigning not announcing their party membership that however did not change the situation: none of the oppositionists were given seats in the House of Representatives.

Elections in the regime totally controlled by the executive branch continued the old tradition of an almost nonpartisan House of Representatives. Five members of political parties loyal to the regime were admitted to the lower chamber of the fifth convocation: three from the Communist Party of Belarus, one from the Agrarian Party, and one from the Republican Party of Labor and Justice (the previous chamber totaled seven party representatives: six from the Communist Party of Belarus and one from the Agrarian Party). At the same time, according to *Belaya Rus*, more than sixty MPs are members of this pro-government NGO, which lays a foundation for its transformation into a political party.

Legal conditions and an outlook for amendments to the legislation on political parties

There are still 15 political parties Belarus. Two attempts to register new ones in 2012 were fruitless: the Belarusian Christian Democracy Party (the fourth attempt to become an official party) and the Communist Party of Workers (the second attempt) failed to obtain registration. Last time, a new party, the Conservative Christian Party Belarusian Popular Front, was registered as far back as 2000. The Belarusian Christian Democracy leadership made one more attempt to legalize the party in late 2012 through registering its regional, Minsk city and youth associations, but did not succeed.

Twenty-two new organizations of political parties were registered or recorded in 2012, which roughly corresponds to the figures reported in 2008, 2009 and 2011, and is much less than in 2010, when the number of local organizations established by pro-government parties was skyrocketing. Refusals to register organizations of opposition parties are still not uncommon. The Belarusian Popular Front has been trying to register its Hrodna regional branch for ten years now, but in vain. It was turned down in 2012 due to a failure to submit current employment details of organization members requested by the regional Department of Justice, which is not stipulated by the law actually.

The Central Election Commission's proposal to entitle not only parties, but also public associations having over a thousand members to nominate candidates for parliament sparked off intense debates. The country leadership however did not welcome the idea and this paragraph will apparently not be included in the bill on Electoral Code amendments, which is supposed to be drafted in 2013. Trying to avoid a boycott, the CEC attempted to formalize an expanded circle of political actors in legislation. This innovation however would significantly enhance pluralism in the Belarusian political system, at least on the information level, and, consequently, threaten to disturb the balance of the present election management paradigm.

The parliament is going to vote on amendments to the law on political parties in 2013. The most fundamental amendment concerns transformation of regular NGOs into political parties.

Even though the law in force already allows such transformation, experts are absolutely sure that this initiative was put on the agenda specifically to give the green light to *Belaya Rus*. Other proposed changes are either mere technicalities or do not alter the legal status of parties in any way.

Configuration of the political framework and (proto) coalition buildup

In 2012, some opposition parties united into in the so-called *Six*: a flexible coalition of four parties (United Civil Party, Belarusian Popular Front, United Left Party *A Just World*, and unregistered Belarusian Christian Democracy) and two NGOs (*For Freedom* movement and unregistered *Tell the Truth* campaign). Soon enough, debates over the format of participation or a boycott of the parliamentary elections led to its disintegration. Other team-up ideas did not live long in 2012 and coordination of actions came to nothing but agreements on some particular matters or organization of isolated events like Freedom Day. Communication between opposition leaders was getting increasingly tensed until the elections, and the obvious crisis of confidence between parties caused by inarticulate division of responsibilities in the presidential campaign could not make the teamwork effective.

The attempts of *A Just World* to interpret the election monitoring campaign as a main unifying factor was an obvious exaggeration. A number of opposition organizations were not happy about the leading role of *A Just World* in election monitoring. *For Freedom*, Belarusian Popular Front and The Greens even tried to work out their own monitoring system, but had to back off soon and join efforts with *A Just World*. The all-round monitoring with online live reports on voter turnout (important to boycott advocates) organized by *For Freedom*, *Tell the Truth* and Belarusian Popular Front in Frunzienski constituency No.101 of Minsk is worth noting in this respect.

The United Civic Party and Belarusian Christian Democracy established close cooperation during the elections, which even resulted in nomination of members of the unregistered BCD as candidates from the UCP. This proto-coalition was consolidated after the elections; its members promoted the initiative to elect

a joint presidential candidate from the opposition by holding primary elections, which the UCP has been unsuccessfully trying to advocate since 2010. Opposing this proto-coalition is an informal association of the *For Freedom* movement, *Tell the Truth* campaign and Belarusian Popular Front, which have not achieved much progress in negotiating a scheme of nomination of a joint candidate.

The United Left Party *A Just World* stands apart on the political arena. Its ambitions go beyond simple coordination of election monitoring. Potentially, this party can become a core of a stronger union of ideologically close left-wingers, although The Greens and the Belarusian Social Democratic Party ('Hramada') are more inclined to support the bloc of *For Freedom*, *Tell the Truth*, and the Belarusian Popular Front.

Amid this factionalism in the democratic camp caused by the lack of a common vision of an opposition's strategy in the presidential election, the Liberal Democratic Party is coming to the forefront as a party of constructive opposition to the regime. The LDP was very active during the parliamentary election campaign, and despite the failure to win any seats in the parliament, it managed to reorganize their branches and prove the ability to conduct national-wide campaigns as a "third force." Many thus accuse the LDP of being controlled by the government. Anatol Liaukovich, former chairman of the Belarusian Social Democratic Party ('Hramada'), made attempts to occupy the niche of "constructive opposition" by creating a virtual centrist party, which means that this position is in demand.

Conclusion

Certain improvements of the electoral legislation were traditionally made following the parliamentary election campaign, which however did not make the electoral process more liberal.

None of political parties has reinforced its positions on the political arena.

Transformation of *Belaya Rus* into a political party did not happen, although many believed in October–November 2012 that it would, which clearly indicates that a pivotal reshaping of the regime is not an option so far. The political leadership of the

country sees no need to share power and formalize the competition between groups around president Lukashenko through creation of a "ruling party." The Belarusian regime remains personalistic, and the game played by clans, groups, lobbyist and corrupt stakeholders does not manifest itself in the formal political process.

MEDIA: CONSERVATIVE REFORM/MIGRATION

Arkadz Nesciarenka

Summary

Narrowing of the media space can be considered one of the results of the year 2012. Belarus sees no new bright, ambitious, up-to-date nationwide media projects. Foreign money and foreign brands cannot come to the Belarusian market and “freshen up” the situation. It is also premature to forecast a success of the ongoing governmental press reform, specifically the creation of two major media holdings.

The overall picture of the media market in 2012 can be described as a standstill phase. The lack of economically sound projects, which could build up public opinion, is a determining factor. Duplication of content is typical of most sociopolitical media outlets.

Trends:

- A little quantitative growth amid the general trend of declining influence of sociopolitical outlets;
- The beginning of a reform of the state press;
- The trust rating of the independent media getting higher than the president's trust rating;
- Registration of opposition media centers outside of Belarus;
- An outflow of professionals from the Belarusian media to the neighboring countries.

Introduction: a weak growth without qualitative changes

In 2012, the quantitative and qualitative composition of the Belarusian media space did not undergo a fundamental change. A certain increase in the number of print outlets was observed. Seventy-nine new ones were registered¹ that however did not enhance the quality of the media in general. The trend of the past three years – a small quantitative growth amid declining influence of the general interest media, and falling demand for the products they had to offer – remained in place.

¹ <http://www.mininform.gov.by/rus/smi/>

As of January 1, 2013, the total number of print media outlets registered in Belarus amounted to 1,482 (1,403 last year). The number of state-controlled newspapers, magazines, bulletins, catalogs and almanacs increased insignificantly from 406 in 2011 to 411 in 2012. The number of new non-governmental media was a little higher: 1,071 against 997 in 2011. The number of news agencies remained the same: nine in total (two state-controlled and seven independent).²

State-controlled press: a reform for correcting the ratings

In May, 2012 Uladzimir Makei, then presidential chief of staff, promised an ambitious reform of the media market in Belarus. "Instead of scattered editorial offices, this segment will be occupied by two media holdings of sociopolitical and cultural orientation. The consolidation and concentration of efforts will enable the print media to work effectively in the current political and economic conditions," he said. In his opinion, "as a result of the reform, a quality modern information product will be provided by the print media and the Internet."³ The sociopolitical holding will be established on the basis of *Sovietskaya Byelorussia – Belarus Today* (SB) newspaper of the Presidential Administration, and the cultural one has already been created on the basis of *Zvyazda* daily.

The merger of four state-controlled newspapers with *Sovietskaya Byelorussia* was announced in early June 2013. *Respublika*, *Belorusskaya Niva* ('Belarusian Grain Field'), *Znamya Yunosti* ('Banner of Youth') and *Narodnaya Gazeta* ('Popular Newspaper') are to join the SB.

Commenting on this decision, Minister of Information Aleh Pralaskouski said the merger was aimed at increasing their competitiveness in new conditions of the developing information market considering that the governmental print media were losing their mobilizing and stimulating potential. They did cope with their ideological tasks either in the offline or online environment

² Ibid.

³ <http://afn.by/news/i/167605>

because the governmental print media are perceived as propaganda tools and therefore do not have much credibility in society.

According to an opinion poll conducted by the Independent Institute of Socio-Economic and Political Studies (IISEPS) in December 2012, only 38.1% of respondents trust the state-controlled media, which correlates with the 30% trust rating of Alexander Lukashenko.⁴ Supporters of the president appear to be the target group of governmental propagandists, which is totally understandable, whereas opponents to the president are indifferent to what those outlets say.

In turn, the nongovernmental media could not boast high trust ratings throughout 2012. In fact, the independent media have almost the same trust rating as the one enjoyed by the president probably because Lukashenko is still the top newsmaker in Belarus and the trust ratings of the media reflect approval or criticism of presidents' decisions or policy of the state. Below are the results of IISEPS sociological monitoring in 2012.

Do you trust the following governmental and nongovernmental institutions?

03-2012

Institution	Trust	Don't trust	Don't know/ No answer	Index
Nongovernmental media	34.3	46.1	19.6	-0.119
Governmental media	33.9	53.1	13.0	-0.193
President	42.2	48.5	9.3	-0.063

06-2012

Institution	Trust	Don't trust	Don't know/ No answer	Index
Nongovernmental media	35.5	48.1	16.4	-0.127
Governmental media	32.4	58.4	9.2	-0.261
President	38.5	51.9	9.6	-0.135

⁴ <http://www.belaruspartisan.org/politic/225773/>

12-2012

Institution	Trust	Don't trust	Don't know/ No answer	Index
Nongovernmental media	48.1	38.2	13.7	+ 0.099
Governmental media	38.1	50.8	11.1	- 0.128
President	39.1	49.1	11.8	- 0.101

Ideological priorities

Two ideological tasks relevant to the governmental print media in 2012 can be pointed out:

(1) to blur the boundaries of responsibility for the impaired quality of life in people's perception;

(2) to show the meaning of a strong state amid shrinking social benefits.

In other words, people should be provided an explanation for a number of issues, which top the agenda, for instance, why labor migrants do not get free-of-charge health services, or why those who stand in lines in employment offices hoping that the state will give them jobs and decent wages are welfare bums, etc.

Several well-tried techniques are applied to cope with these tasks: a responsibility shift model and creation of a parallel reality. The image of stable Belarus however differs from the real picture too much. Therefore, replication of media illusions has no effect. The addressee often does not take seriously what the media offer as an ideological product. It is impossible to endlessly appeal to the middle class, which used to be carefully educated by government ideologists, in the spirit of Soviet ideological traditions.

Task No.1: To blur the boundaries of responsibility

It is more and more complicated for state propagandists to shift responsibility to lower levels, because people do not believe that medium and lower-level public officers are involved in decision-making processes. In the public opinion, the president is the only person who really makes decisions and therefore bears responsibility for the outcome.

The responsibility shift model has been used for years and it is fair to say that it has exhausted itself completely. Criminal cases against directors and functionaries indicate that the mass media are looking to explain why they should be prosecuted, rather than who should be on the list of those who can be shifted responsibility to. Only political and ideological opponents used to be the target before.

Task No.2: To answer the question why a strong state deprives more and more of its citizens of social benefits?

Classical Soviet clichés are usually used to attain this objective: ignoring those thrown overboard of the ship of modernity and showing happy people who love the lives they lead. For example, look at the article "Learn, Learn" in *Respublika* (№205 (5620) of October 27, 2012), which tells about young girls, residents of Salihorsk, who do not hesitate to link their future with the mining industry. If someone would like to move to another place, it is not about Yulia Symonenko and Yulia Tkachene. They only see their future in Salihorsk and one of Belaruskali Concern branches, where 80% of graduates of the Salihorsk State College of Mining and Chemistry are sent for compulsory assignments. Three messages in just one paragraph: the quality of education is high and students are happy about it; they are not going to leave their native city/country; they are happy with the post-graduate job placement.

IISEPS opinion polls show a totally different picture. The national poll conducted in July 2012 shows that more than a half of Belarusians (53.7%) are ready to go abroad seeking jobs or education, and 41.4% would like to leave the country for good. 83.4% of young people (18 to 29 years of age) gave a positive answer to the question "Would you like to work/study abroad?"⁵ These figures provide a mirror image of those 80% of students who, according to *Respublika*, are happy with the job placement.

The idea to reform the state-run print media by uniting several periodicals for creation of a collective information product was

⁵ <http://www.iiseps.org/06-12-02.html>

talked about more than once. The pace of the reform thus indicates the lack of strategic vision when it comes to necessary changes in the media market. Higher effectiveness of information policy was the only target of the media holdings articulated in 2012.

Creation of the two media holdings could lead to a certain reduction in government expenditure owing to optimization of manpower and technical costs (printing, marketing services, etc.). However, from the ideological point of view, these steps will not resolve problems of the state-controlled press.

As concerns the main task to enhance competitiveness of the media, the ideological and economic competitiveness should be considered separately. Liquidation of a number of periodicals entails weaker economic competition between governmental media outlets. In turn, the field of competition has shrunk to the minimum. The existing periodicals are not business projects. Therefore, it would be an overstatement to say that the governmental and independent print media compete economically.

The number of periodicals is thus irrelevant when it comes to ideological competitiveness if old communication patterns are used. It is a matter of perception of a media reality, a matter of credibility or trust, in a manner of speaking. If the reader does not trust *Respublika* or *Znamya Yunosti*, united editorial boards will not have credibility either. The situation could be remedied by at least minimum freedom in editorial policy of the governmental print media, presence of not only jingoistic materials, but also criticism and questions like "Why the quality of life is declining, while the cost of living is forced up?" But the government is unable to adopt such reform in any way.

Migration of the independent online media

The moving of Charter'97⁶ editorial board to Warsaw was a very meaningful event of 2012, which marks a turning point of formation of cross-border media broadcasting centers outside of Belarus. Attempts were made earlier to create such centers in Vilnius, Stockholm, and Moscow. Until now, the cross-border

⁶ *Charter'97* supports former presidential candidate Andrei Sannikov.

media (such as Vilnius-based Radio Baltic Waves) worked without pronounced public political support of local political groups.

The current situation stands out because Warsaw officially supports Belarusian (cross-border) projects. The Foreign Ministry of Poland openly funds a number of media projects (*Belsat* TV channel, *Charter'97* website, *Radio Racyja*, *European Radio for Belarus*), which criticize Belarusian government's policy. The list of the outlets to be supported is expanding. By doing so, Warsaw proves to be a key ideological media opponent to official Minsk throughout the year.

Establishment of the European Endowment for Democracy (EED), which among other things offers support to the Belarusian media, is also noteworthy. Polish Deputy Foreign Minister Jerzy Pomianowski was appointed EED executive director. In this case, there is no question of non-profit, privately-funded Belarusian media initiatives.

Russian media in Belarus

The presence of Russian information and cultural products in the Belarusian media space remains strong, but events in Belarus are covered sporadically. Besides, Minsk has an opportunity to censor and filter Russian informational materials provided by Russian TV channels.

The informal interest of Russian *Gazprom* in acquisition of Belarusian media assets was quite a new trend of the year. In the second half of 2012, representatives of *Beltransgaz* (a subsidiary of Russian *Gazprom*) addressed some nongovernmental media offering advertising contracts. Referring to the *Gazprom* management, they requested detailed information about the founders and owners of the outlets, including the ultimate beneficiaries. A number of Belarusian outlets interpreted it as an industrial overture of the future purchase of some Belarusian media assets. This initiative however did not go any further.

Conclusion

Further developments in the media space will directly depend on the sociopolitical climate in the country. If the current political

situation remains unchanged, it makes sense to expect the Ministry of Information and law enforcement agencies (such as the Presidential Operative Analytical Center and the KGB) to establish tighter control over network media projects managed from within Belarus. It is also possible that there will be fewer independent sociopolitical periodicals, which will tend to transform in Internet resources.

The outflow of journalists and repressive political climate entails gradual deprofessionalization of the media space. As a result, agitprop materials have become relevant. The audience response is manifested in the opposition to most information products of the Belarusian sociopolitical media. The audience switches to entertainment content, usually of Russian origin. In general, this process leads to weakening of the Belarusian media. This process is alarming because against the background of the weakening Belarusian mass media, the influence of external media centers supported by Warsaw and Moscow on Belarusian society is becoming dominant.

INTERNET DEVELOPMENT AND USAGE

Mikhail Doroshevich, Marina Sokolova

Summary

Belarus is still one of the leading countries in Central and Eastern Europe according to the growth of its Internet audience. However, the fact that this growth slowed in 2012 compared to 2011 indicates that the resources needed to increase the number of users by developing infrastructure have been exhausted.

Inappropriate regulation policy is causing the country to fall behind in terms of effective Internet use. There is no programme to develop free Internet access. People's media literacy, on which their ability to use e-governance services also depends, is still beyond the scope of state bodies. Various restrictions on the development of the Internet market have led to the Belarusian audience using mostly foreign resources. At the same time, the government is unable to augment processes to "create national content."

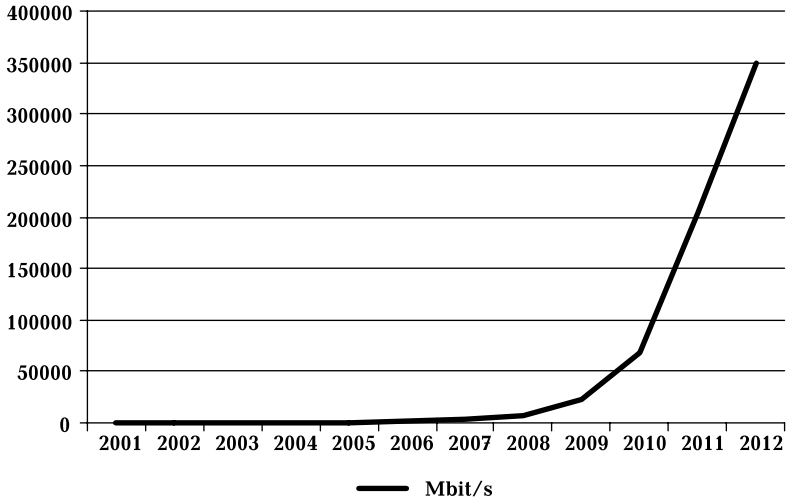
Trends:

- The growth in the number of users by means of infrastructure development is now falling;
- Internet access is still unequal, and depends on age and place of residence;
- State companies (*Beltelecom* and the National Traffic Exchange Centre) have an on-going monopoly over the outer channels;
- Search engines, portals, and social networks are the most popular sites on the Internet.
- The repertoire of online civic activism is expanding, with the appearance of initiatives related directly to Internet usage;
- State regulation policy is restrictive, not stimulatory.

Infrastructure development and the growth of the audience

The main role in the development of telecommunications infrastructure is still played by the state communications operator *Beltelecom*. By the end of 2012, the outer channel had been expanded to 350 Gbit/s, and the average daily external traffic was at 270–280 Gbit/s.

Graph 1. Internet access capacity of Beltelecom's international channel, Mbit/s¹



2012 saw the implementation of a project capable of competing with *Beltelecom* to provide data transmission services using in-country infrastructure ("transit traffic"). On the basis of Belarusian presidential decree No.556 *On conditions for an investment project in the field of information and communications technologies*, the unitary enterprise National Traffic Exchange Centre set up the joint LLC Belarusian Cloud Technologies (with Russian investment). This company will lay a new communications transit highway from Moscow to Frankfurt via Minsk, which will be jointly owned by the Belarusian and Russian partners. Its channel capacity will be 23 times higher than what the current Belarusian outer channel can provide (350 Gbit/s).²

In 2012, the National Traffic Exchange Centre began to offer peering services. Within a short period, this allowed the cost price of Internet traffic to be reduced by 2.5 times for private providers.³ However, the main communications operator is still

¹ <http://it.tut.by/298235>

² <http://tech.onliner.by/2013/02/15/traffic>

³ <http://tinyurl.com/c2vvv4o>

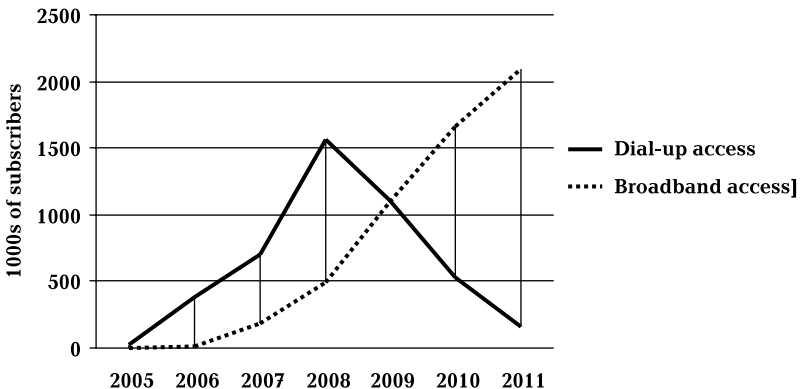
Beltelecom, which has the largest number of subscribers. The private provider *Kosmos TV* is in second place.

The state company's share of the broadband Internet market is 30% (mobile operators included).⁴ The hottest competition on the data transfer market is still to be found in Minsk, which is where half of the existing secondary providers are located. There are only *four* companies in all Belarusian cities: *Beltelecom (byfly)*, plus *three* mobile phone operators who offer mobile Internet access – *diallog, life:), Velcom* and *MTS*.⁵

In general, the average data transfer speed for users around the country ("end subscribers") is around 1.5 Mbit/s (maximum – 4.78 Mbit/s). This puts Belarus in 96th place out of 180 countries worldwide, according to the results of Internet channel capacity testing carried out by *speedtest.net*.⁶

Starting in 2006, Internet access tariffs went down by 30 times in roubles, and by 119 times in their US dollar equivalent.⁷ The number of broadband subscribers and users rose by 6% over the year.

Graph 2. Number of broadband subscribers, as compared to dial-up subscribers and users (in 1000s of subscribers)⁸



⁴ <http://tinyurl.com/bmamvlz>

⁵ For a full list of Belarusian Internet providers, see: http://providers.by/by-providers/?by_cities.

⁶ <http://www.internettrafficreport.com/faq.htm#include>

⁷ <http://it.tut.by/307018>

⁸ http://www.mpt.gov.by/ru/new_page_5_6_15108/

There are currently no exact figures for mobile Internet use, but experts consider that the most "traffic-generating" mobile devices in 2012 were *iPads*, *iPhones* and *Nokia 523s*, and the number of mobile Internet users was approximately 2.1 million. The experiments with mobile Internet access via 4G (LTE) systems begun in 2011 were discontinued. Despite the increased number of paid *Wi-Fi* access points, the number of hotspot users decreased three times in the course of the year (from 1.2% to 0.4%). At the beginning of 2012, there were 1626 multi-access points registered in Belarus (*Beltelecom* access points, computer clubs, and Internet cafes).⁹

In December 2012, the .BY zone included 73,000 registered domains (up from 44,000 in 2011).¹⁰ In 2011, the majority of domains were registered by physical entities. The situation altered considerably in 2012, however, with about 56% of domain names registered by legal entities and private entrepreneurs, and 44% by physical entities. The largest number of .BY domains were registered outside of Belarus: in Germany, America, and Russia. Apart from the two main DNS servers for the .BY domain zone (both located in Minsk), there are also several others abroad: in Moscow, Prague, Amsterdam, and (since early December) the American state of Virginia.¹¹

According to data from a selective survey of the standard of living in households, carried out by the Belarusian National Statistical Committee, the number of households with a personal computer has risen only slightly in three years: 40% in 2009, 44% in 2010, and 46.4% in 2012.¹² The number of households with Internet access from a home computer was 40.3%.¹³

Throughout the year, the Belarusian Internet audience grew by 13.3%, i. e. another half a million users. By the beginning of December 2012, there were over 4.5 million users in Belarus, with a 56% Internet penetration. Belarus remains one of the leading countries in Central and Eastern Europe in terms of the growth of its Internet audience. However, the fact that this growth

⁹ http://www.mpt.gov.by/ru/new_page_5_6_15108/

¹⁰ http://ng.by/ru/issues?art_id=72750

¹¹ <http://tinyurl.com/auctcse>

¹² <http://belstat.gov.by/homep/ru/news/news130.php>

¹³ http://www.mpt.gov.by/ru/new_page_5_6_15108/

slowed (by 20%) compared to the previous year indicates that the resources needed to increase the number of users by developing infrastructure have been exhausted. Moving into the foreground are media literacy (knowledge of Internet resources and services, and knowing how to use them) and the creation of free multi-access points.

The increased number of women (up to 51%) among Internet users indicates a certain maturity of the market (the number of men always tends to be higher among users in emerging markets for Internet resources and services). Among Belarusian Internet users, 39% have a higher education, 28% have specialised secondary education, 28% are specialists and senior specialists, and 15.5% are students and schoolchildren. The largest group of Internet users has a monthly income of between USD 250 and 500.

The Belarusian Internet audience was still marked by digital inequality: the divide between users in Minsk and other regions of the country, plus an insignificant number of users aged 55 or over. However, the 55+ age group actually showed the largest growth in the past three years, increasing fivefold (see Table 1). Minsk residents currently account for about 28% of the Belarusian Internet audience, whereas they constituted over 40% of the audience five years ago.¹⁴

Table 1. Age composition of the Belarusian Internet audience in 2009 and 2012, %¹⁵

	Age group				
	15–24	25–34	35–44	45–54	55+
2009	39.5	28.5	18.9	11.6	1.4
2012	30.5	30.1	19.5	13.0	6.8

As before, most citizens were accessing the Internet from their homes (93.4%), while 30% had Internet access at work, 6.9% in schools and universities, 11.1% via friends and relations, and 4% in Internet cafes.¹⁶

¹⁴ <http://it.tut.by/298235> (accessed on 6/7/2012)

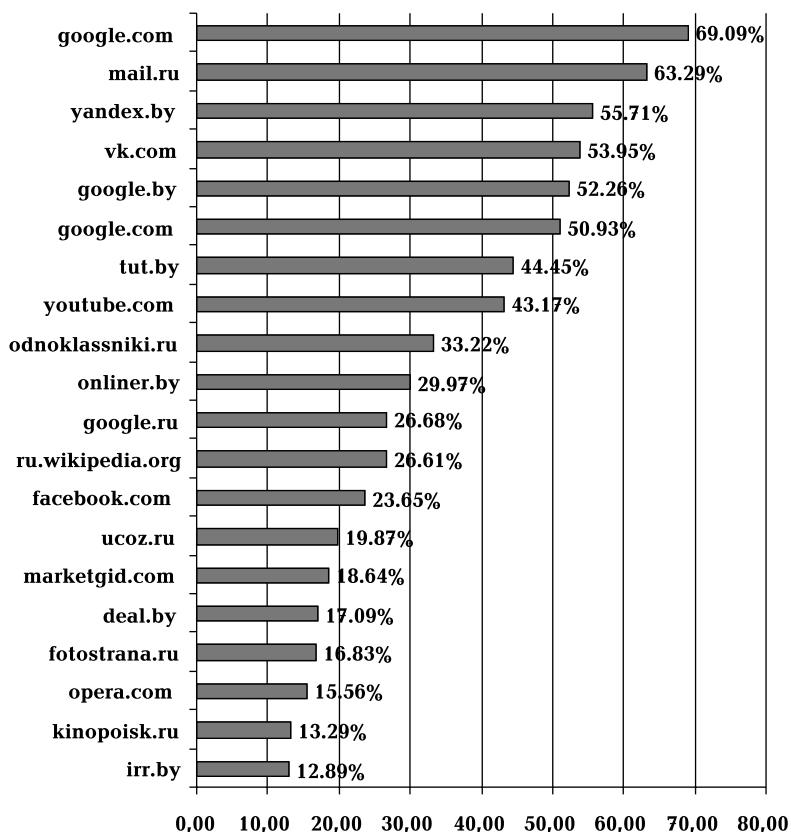
¹⁵ https://gemius.com/pl/products_audience_about

¹⁶ Ibid.

Resources and services

In 2012, there was a continuing trend for Belarusian websites to lag behind their Russian counterparts in terms of popularity, with only *tut.by* and *onliner.by* in the top ten. This can be explained by the fact that, due to the limited flow of funds from advertising, Belarusian websites find it rather hard to compete for users' attention. Four websites (portals and search engines) were

Graph 3. The most-visited websites in 2012¹⁷



¹⁷ Website ratings compiled from Internet audience measurements by *gemiusAudience*. See: <http://www.audience.by>.

reaching over 50% of the Internet audience: *Google*, *mail.ru*, *vk.com* and *yandex.by* (see Graph 3). The *tut.by* portal had a 48% reach. It should also be mentioned that the Belarusian government plans to create a state-run portal called *All Belarus Online* in 2015, as part of the National Programme for the Rapid Development of Information and Communications Technologies (ICT).

After search engines and portals, the third most popular websites are still social networks. According to data from January 2013, social network users made up 73.6% of the Internet audience (69.8% at the end of 2011). The networks with the largest number of users with higher and postgraduate education are *facebook.com* (44.3%) and *i.tut.by* (42.3%). The highest number of users with incomplete secondary education are on *vseti.by* (32.6%). There is a prevalence of users with average specialised education on the *odnoklassniki.ru* network (35%), and with incomplete higher education on *vk.com* (17.4%).¹⁸ The most active users are still with *LiveJournal* (16% reach), and almost 96% of those are also members of at least one other social network.¹⁹

Video and music websites

The overall reach of video websites is almost 2.6 million people, or 57.2% of the Belarusian Internet audience. Among the most popular sites are *video.mail.ru*, *video.yandex.by*, *megogo.net*, *youtube.com*, *zerru.ru*, *my-hit.ru*, *seasonvar.ru* and *kinobanda.net*. Only *kino.tut.by* and *megogo.net* offer legal content. In 2012, several attempts were made to create Internet television channels on *YouTube*. Short videos are also available on the news websites *Nasha Niva*, *naviny.by* and *svaboda.org*. However, none of this went beyond the trial stage, and failed to attract any serious attention from Internet users. Regular video content is produced by *BelSat*, *tut.by* television, and *iTV*. A plan to create youth Internet television (*www.a-tv.by*) using state resources has still not been implemented.

The most popular music websites in Belarus are *music.tut.by*, *zaycev.net*, *music.yandex.by*, *muzofon.com* and *ultra-music.com*,

¹⁸ As of September 2012.

¹⁹ <http://www.infpolicy.biz>

with an overall reach of 19.82% of the Belarusian Internet audience. Their most active users are residents of villages and towns with less than 50,000 inhabitants.

Creating "heavy" content (videos, films, music tracks, online games) was one of the priorities for state programmes aimed at developing Internet resources. The reasoning behind such initiatives sounded rather odd: "This will allow the load on the outer Internet channel to be reduced, and cut costs for the national unitary enterprise *Beltelecom*."²⁰ This is approximately the same motivation as for a competition to buy the rights to host television channels, video materials, and downloadable audio- and e-books: "As owner of the outer Internet channel, the national communications operator incurs serious expenses in foreign currency. We are therefore working to increase the amount of national content, so as to reduce the need for foreign traffic, to lower our costs, and to increase the appeal of the Internet resources being used."²¹

News websites

There was also a continued trend of declining interest in dedicated news websites (various versions of traditional media), in contrast to the increased popularity of social networking websites (see Table 2).

Citizens and online governance

The range of online activism extended in 2012. The online petition site *change.org* was quite popular.²² An original civil watchdog was Viktor Malishevskiy's blog (*editorfm.blog.tut.by*), which monitors state purchasing (*www.icetrade.by*). Gamification tendencies appeared in *politizator.com*, a project combining an Internet news website with a political tote board. The Internet also continued to be a place for mobilising citizens to support charitable causes. One of the most interesting initiatives was the creation of an Internet charity-shop.²³

²⁰ <http://tinyurl.com/af8czx8>.

²¹ <http://tinyurl.com/bmamvlz>.

²² <http://it.tut.by/304581>.

²³ <http://it.tut.by/273963>

Online political activism was particularly visible during the parliamentary election period (*vybary.blogspot.com*, *electby.org*, *elections2012.spring96.org* and the *Election Observation: Theory and Practice* project – *www.eotp.info*). Nearly all the Belarusian political parties, movements, and organisations have an online presence. Members of the Belarusian opposition prefer to appear as analysts and bloggers, however, rather than standing up for their political beliefs. Experts have remarked that “the Internet is used for communication, not mobilisation.”²⁴ There is also a clear communications divide “between what the electorate are interested in, and what is being discussed by political forces on the media that are open to them.”²⁵

Table 2. Top 20 news websites²⁶

Website	Rating	Number of users	Average daily number of visitors
news.tut.by	1	1094422	247248
news.mail.ru	2	778251	176124
interfax.by	3	552665	40699
news.yandex.by	4	513907	86522
kp.by	5	378396	36847
naviny.by	6	317203	32021
charter97.org	7	299045	73172
euroradio.fm	8	215112	13910
ctv.by	9	203249	10860
telegraf.by	10	163889	11383
21.by	11	147504	10259
utro.ru	12	146028	10075
5min.by	13	131147	8851
nn.by	14	117642	16573
ex-press.by	15	112415	8150
ej.by	16	105598	7046
udf.by	17	96134	9426
gazeta.ru	18	87448	6571
afn.by	19	74553	8761
n1.by	20	69544	6290

²⁴ <http://tinyurl.com/b2leyk2>

²⁵ <http://tinyurl.com/adjdvxh>

²⁶ Website ratings compiled from Internet audience measurements by *gemiusAudience*. See: <http://www.audience.by>.

By 2015, the all-in-one electronic services portal *portal.gov.by* plans to offer 24 services, of which 23 will provide information from state banks and registers. The only "real" services will be offered by the Ministry of Internal Affairs: registering cars with the State Automobile Inspectorate, and issuing or changing driving licences. Set up in March 2012, the National Centre for Electronic Services (*nces.by*) is designed to be used by national state management bodies. Only one of the forty services it offers (information about education documents) is also intended for physical entities, *i.e.* Belarusian citizens.²⁷

Regarding e-governance projects in general, experts have noted that, even with the National ICT Development Programme and the creation of the one-stop-shop portal by 2015, Belarus will still be lagging behind. By that time, UN ratings will probably cover the development of mobile government (*mGov*), the eParticipation index (Gov 2.0), and work with social networks (SMM) – projects the Belarusian government is not even considering.²⁸

People's media literacy, on which their ability to use e-governance services also depends, is still beyond the scope of state bodies. A proposal by the head of the NCES to introduce a system of information mediators via the *Belpochta* post office network in order to help "old ladies use electronic services at home or in post offices"²⁹ can certainly not be considered an adequate response to this issue.

In this situation, private citizens and businesses are putting in efforts to devise and implement more effective projects of their own. In October 2012, *MTS* launched an educational project "Children on the Internet" and organised its first "Lesson on using the Internet usefully and safely." In autumn 2012, *Our House* campaign activists organised a "Gomel Connect" drive in order to get Homiel's ten most-visited cafes, bars and pizzerias

²⁷ Belarusian Council of Ministers resolution No.509 of May 31, 2012 *On free electronic services provided by the unitary enterprise National Centre for Electronic Services to state bodies, other organisations, and citizens, and several measures for organising the provision of electronic services*. See: [http://www.pravo.by/pdf/2012-66/2012-66\(006-014\).pdf](http://www.pravo.by/pdf/2012-66/2012-66(006-014).pdf).

²⁸ <http://tinyurl.com/a5gvc4p>

²⁹ <http://tinyurl.com/adgtyoa>

to equip themselves with free Wi-Fi access points. "To coordinate the business community's activities to develop e-business and interact with e-governance in order to provide state electronic services, to create state information resources for supporting entrepreneurial activity, and to compensate for losses sustained by users of those resources," a public expert council for Belarusian e-business development was set up in February 2012.³⁰

Monitoring and restriction of access to Internet resources and services

The Belarusian government was added to Reporters Without Borders' list of "Internet Enemies" in 2012. However, most experts are inclined to disagree with such a categorical assessment of the situation. Alaksandr Klaskouski affirms that the authorities are trying not to overdo it, and although they are "watching" the social networks and Internet resources in general, they "don't interfere unless they need to."³¹

In 2012, the agenda for state bodies still included *monitoring and inspection* of websites. Back in 2010, Internet service providers were obliged to enable free round-the-clock remote access to databases of subscribers and the services they received (if so required by state bodies engaged in operative investigative activities). Moreover, providers had to pay out of their own pockets to purchase, install, and operate technical systems to assist the carrying out of operative investigative activities (SORM).³² In spring 2012, *Beltelecom* instigated a SORM project for the *byfly* data transfer network, and upgraded its filtering software in the summer.³³

In 2014, it is planned to complete the development of "software and hardware to research and monitor information

³⁰ <http://allminsk.biz/content/view/26105/1/>

³¹ <http://tinyurl.com/ac2qacv>

³² SORM is a range of equipment and measures designed for carrying out operative investigative activities on telephone, mobile, wireless and radio communication networks. SORM-1 is a system for monitoring telephone communications. SORM-2 is a system for monitoring Internet access.

³³ <http://it.tut.by/286586>; <http://newsby.org/by/2012/04/28/text24007.htm>

resources in the national segment of the Internet global computer network".³⁴ Since the end of 2011, DPI (Deep Packet Inspection) technology has been in place in Belarus for network packet inspection and filtering according to content, which also allows packets to be modified. It allows Internet traffic to be analysed, and different policies to be applied depending on its content.³⁵ Nevertheless, according to figures from *UCEPROTECT*, the Belarusian data transfer network is now in third place worldwide in terms of spam and botnets (up from 43rd place in 2010, and 8th place in 2011).³⁶

The public list of *websites to which access is restricted* is still empty, and the criteria for the so-called "secret" blacklist of websites are still undisclosed (by early 2013, that list contained 119 websites). Neither the Belarusian State Electronic Communications Inspectorate (BelGIE), which is responsible for maintaining the lists, nor the presidential News and Analysis Centre, which assigned that function to BelGIE, would provide any details about the situation.

Website-blocking is still being used in Belarus. In summer 2012, access to the *change.org* site was blocked. Following that, the owners of *DNS Made Easy* reported that access was also blocked to *sixteen* other sites which had nothing to do with Belarus: *aviasales.ru*, *f1news.ru*, *trusteer.com*, *digicert.com*, *jquery.com*, *sendgrid.com*, *mxtoolbox.com*, *getclicky.com*, *urbanairship.com*, *life360.com*, *path.com*, *vizio.com*, *arenajunkies.com*, *wowdb.com*, *wowstead.com* and *whmcs.com*.

³⁴ <http://it.tut.by/269626>

³⁵ In 2012, the International Telecommunication Union (ITU) approved the Y.2770 standard (recommendations) for use of DPI technology. This standard makes no provision for inspecting encrypted traffic, but requires any unencrypted parts of such traffic to be inspected. Representatives of Russia and numerous Central Asian countries propose to make this standard compulsory for Internet providers. Germany voted against the Y.2770 document, because they felt that standardising DPI would lead to increased Internet censorship. Experts remark that the document leaves several important issues open. For example, it does not mention the protection of users' private data. Furthermore, such documents should include a condition for net neutrality to prevent operators from favoring any particular type of traffic.

³⁶ <http://stats.uceprotect.net/>

Clients received the following message: "*DNS Made Easy* is not responsible for this blocking of our servers. If your clients or business have been affected, please direct your requests to *Beltelecom* regarding the blocking of our servers on their network". In autumn 2012, access to the websites of the Belarusian Christian Democracy party (*bchd.info*) and the joint "For Fair Elections" observation campaign (*vybary.org*) was blocked for users inside Belarus.³⁷

The authorities also attempted to *infiltrate viruses* into the systems of *charter97.org*, and used malware to gain access to opposition leaders' and independent journalists' e-mail accounts.³⁸ There were also cases of *physical persecution of website creators*. For example, in autumn, people were detained for administering two opposition groups on the *vk.ru* social network: "We've Had Enough of Lukashenko" (37,000 users) and "If Only He'd Die" (15,000 users).³⁹ The underage head of the "Free *Lyapis Trubetskoy* Concert in Minsk" initiative was detained, and only released following an interrogation.⁴⁰

Generally, there has been no significant increase in repression, however, and no legal action was taken regarding calls to hold unauthorised mass events via the Internet, despite related legal amendments which came into force in 2011.⁴¹

Conclusion

The potential for Internet audience growth will be defined not only by infrastructure development. A vital condition would be to reduce digital inequality by developing media literacy and devising programmes to create free multi-access points (which will become increasingly relevant as more e-governance services are introduced).

The most growth is projected for mobile Internet access. The amount of time spent online will increase, but the top five websites will probably remain unchanged.

³⁷ <http://belapan.com/archive/2012/09/23/576417/>.

³⁸ <http://charter97.org/ru/news/2011/11/6/44406/>.

³⁹ <http://www.charter97.org/ru/news/2012/8/30/57616/>.

⁴⁰ <http://www.charter97.org/ru/news/2012/8/31/57675/>.

⁴¹ <http://tinyurl.com/cgd4j25>.

Increased numbers of users and the development of e-governance and e-business services will be stimulated by civic initiatives and new research projects in the field of Internet development and use management. State regulation policy will continue to be restrictive, not stimulatory. The amendments to laws "on electric communications" and "on information, computerisation, and information protection" planned for 2013 will not make much impact on the situation.

CONTRADICTING IDEAS FOR EDUCATION POLICY

Vladimir Dounaev

Summary

Education policy is at a crossroads. The former strategies for balancing social paternalism and cost-cutting have now run out of steam. Demographic problems have worsened the funding deficit, and dropping academic standards of education are objectively forcing the system towards inevitable modernisation, yet the authorities continue to hope they can avoid true reforms by applying palliative measures, and limiting themselves to calls for improved economic effectiveness at all levels of education.

The combination of bureaucratic authoritarianism and meagre funding is driving the education system into an impasse from which it is impossible to escape without sacrificing its fundamental principles.

Trends:

- Fruitless attempts to solve many problems in education caused by a stubborn refusal to modernise;
- Gradual state funding cuts for education;
- Making higher education more widely available by increasing the amount of paid tuition;
- Cautious intervention by the ministry of education in the field of education policy, which until now has been the exclusive prerogative of the president and his administration, and attempts by the ministry to neutralise the destructive, mutually exclusive ideas emanating from that centre of power.

Education policy

In 2012, a belated attempt to join the Bologna Process ended in failure for the Belarusian ministry of education. Formally, the decision to include a country in the European Higher Education Area (EHEA) is taken at a summit of education ministers from 47 countries, and it depends on the opinion of the Bologna Follow-Up Group (BFUG) in order to be put onto the agenda. At a meeting on January 18–19 in Copenhagen, after studying an official report prepared by the Belarusian ministry of education and an *Alternative Report* by the Independent Bologna

Committee,¹ the BFUG members decided not to recommend Belarus for EHEA membership. On January 24, the Bologna Secretariat sent an official letter to the Belarusian minister of education, explaining why the BFUG had recommended postponing the decision regarding Belarus' prospective EHEA membership until the next summit in 2015.

In order to be eligible for the EHEA, an applying country has to meet two criteria: (1) it must be a signatory of the European Cultural Convention, and (2) it must undertake to implement the values, aims, and key principles of EHEA policy in its education system. Belarus ratified the European Cultural Convention back in 1993, but the Belarusian authorities have proved unable to fulfil the second condition. In the letter to the minister of education, Sergey Maskevich, attention was drawn to the lack of progress concerning Belarus' commitment to the principles of academic freedom, the low level of university autonomy, and the absence of any real student involvement in managing higher educational establishments.

It is obvious that the Europeans did not turn a blind eye to the fact that the heads of five higher educational establishments who repressed students in 2011 are present on the list of Belarusian officials banned from entering the European Union. This fact is not just proof of individual cases of lawlessness, but also of a deep rift between European and Belarusian academic values.

The Belarusian education ministry declared the Bologna Secretariat's decision was politically motivated, yet the past year brought no improvements to guarantee the autonomy of higher educational institutions or the rights of tutors and students. Monitoring of academic freedom in Belarusian higher educational establishments has shown widespread, systematic violations. Unlike in 2011, rights violations have shifted from politically motivated repression to large-scale infringements of the academic, social, and labour rights of students and teaching staff.²

The postponement of Belarus' EHEA membership provides some extra time to reform higher education. Although the time remaining before 2015 is clearly insufficient for full reforms, it is

¹ <http://bolognaby.org/?p=398>

² <http://bolognaby.org/wp-content/uploads/2013/01/Public-report-2-1.pdf>

enough to come to a national consensus on the essence of the changes required and the plans to develop higher education. Even though the need for change is evident, practical implementation is limited by the president's anti-reform rhetoric and the short-sighted position of his administration. After hearing a report from the minister of education on July 24, 2012, Lukashenko reiterated that "the education system reforms are complete. If something needs polishing up a bit, that's fine. No-one should turn education back into some kind of political arena."³

Throughout the year, Lukashenko repeatedly reminded the ministry of education that its only role was to implement presidential policy. However, the ministry received a range of contradictory signals. On the one hand, there was a policy to cut state spending on education in 2012, and on the other, the ministry was requested to maintain the price of higher educational courses at the same level. Things reached the stage where Minister Siarhei Maskevich was forced several times to repudiate the president's populist promises to reduce amounts payable by students for educational services.

The essence of the president's higher education policy may be summed up thus: higher education should be available and affordable for the state budget. Since any education policy strives to balance three variables — accessibility, quality, and price — the president's populist rhetoric leaves no chances to improve staff training standards in Belarusian conditions. Cheap, accessible education can only be achieved by sacrificing quality.

Another challenge to education quality was Lukashenko's desire to extend the duration of work placements for students. Belarusian higher education lacks contacts with the labour market, but in this case the president's proposal is comparable to Saparmurat Niyazov's reforms in 2003, which totally destroyed higher education in Turkmenistan. Thankfully, the ministry of education again tried to neutralise the destructive force of this presidential directive. Unlike in 2008 — when the then minister of education, Alaksandr Radzkou, blindly followed instructions to move over from a 12-year to an 11-year secondary education

³ <http://www.president.gov.by/press138972.html#doc>

system – the current minister is attempting to prevent the situation from becoming a disaster.

In 2012, the ministry skilfully used presidential directives concerning the shift to a shorter period of study in order to accelerate the process of adapting Belarus' three levels of education to Bologna standards. Siarhei Maskevich assured the president that decisive steps had been taken to move from 5-year to 4-year undergraduate courses, and to increase master's degree studies from one to two years.⁴ According to the minister, the reduction in study time would affect 62% of all courses.

To give these reformist intentions their due, one still cannot fail to see that this transformation has not achieved any real modernisation of higher education so far. In 2012, the campaign to cut back on curricula was purely superficial, and did not bring them into line with Bologna requirements for structure and content of education programmes. The automatic shortening of the first level without developing normal professional master's degree programmes threatens to trigger a serious drop in the quality of specialised tuition in future. In Belarus, such studies have been turned into a pointless appendage to postgraduate courses, and are only beginning to recover now. In Organisation for Economic Cooperation and Development (OECD) countries, 15% of students acquire master's degrees, but in Belarus, according to ministry of education data, only 1.15% of students are enrolled on second-level courses.⁵

The ministry has also played an independent yet cautious role on the education policy scene regarding the strategic development of secondary education. In 2012, the ministry attempted to correct some of the negative consequences of the shift to an 11-year system for secondary education.

Worldwide, 169 countries have a 12-year education system, and 46 countries have a 13-year system. Not one single European Union country has full secondary education that lasts for less than 12 years. It is obvious that the "democratisation" of schools – the banner under which this latest unsuccessful Belarusian reform

⁴ <http://www.president.gov.by/press138972.html#doc>

⁵ Higher educational establishments of the Republic of Belarus. (2012). Statistical handbook. Academic year 2011 – 2012. Minsk, p.78.

was introduced – could only lead to a deterioration of education quality. Speaking at a pedagogical conference on August 24, minister Sergey Maskevich admitted that the results of centralised testing showed there were not enough hours of physics, mathematics, and other subjects in secondary school curricula, and that extending the school year would have to be considered in order to rectify the situation.⁶

In the hands of the ministry of education, the threat of reducing holidays or extending the study week is becoming an instrument for mobilising public opinion against the reforms to a 12-year school system, which were inspired by the presidential administration in 2008. All the more so because it is becoming increasingly obvious that the main motive for reducing the period of study – to economise on funds – is improbable.

In 2008, Anatol Rubinau promised to raise teachers' salaries by 20–25% using funds economised from reducing the period of study, thus "buying" their support for the shift to an 11-year system. Teachers only received the promised pay rise of USD 30 before the 2010 presidential elections, however, but it was still far below the current average wage in Belarus. At a ministry of education meeting on February 6, 2013, Siarhei Maskevich stated that the average monthly wage in the education sector was BYR 2,769,000 (USD 332), or 74% of the national average wage. Teachers' salaries, meanwhile, were BYR 3,279,000, or 87.7% of the average wage.

The financial situation in education

Belarusian education is increasingly becoming a victim of policies designed to minimise state spending. Article 53 of the law on education, which was in force until September 2011, made provision for no less than 10% of GDP to be allocated to education. In reality, state budget funding never reached that level. Moreover, the amount of GDP reserved for education was noticeably reduced: it was 6.6% in 2002, but the minister of education

⁶ http://www.belta.by/ru/all_news/society/Minobrazovaniya-Belarusi-rassmatrivaet-vozmozhnost-velicheniya-v-shkolax-kolichestva-urokov_i_606425.html.

admitted it had dropped to 4.9% in 2012. Even though Lukashenko promised (at the third All-Belarusian People's Assembly in 2006) that funding would be raised to the stipulated 10% by 2010, the authorities simply removed that stipulation from the new Education Code in 2011.

The ministry of finance plans even more cuts in the social sector, claiming they are necessary to increase the efficiency of spending on education. Higher education is particularly hard-hit by such savings. According to figures provided by the Belarusian ministry of education for UNESCO reports, funding for higher education was cut from 1.1% in 2007 to 0.7% of GDP in 2009. This goes against the trend of increasing the amount of GDP spent on education, which is prevalent in developed countries.⁷

Over the past 20 years, the authorities have made higher education more widely available by increasing the amount of paid tuition. That was the main method which allowed them to increase the number of students in Belarus by 2.3 times – from 189,000 in 1989–1990, to 430,000 in the 2011–2012 academic year. Currently, over two thirds of Belarusian students are paying for their studies. The worsening demographic situation is reducing the potential to apply this strategy, however.

At a ministry of education meeting to discuss the results of the 2012 admissions campaign,⁸ it was mentioned that 15% less pupils had left general secondary schools in 2012 than in 2011 (63,000 versus 75,500). By 2015, the number of secondary school-leavers will be around 58,000, approximately 10% less than in 2012. Furthermore, the planned intake for higher educational establishments in 2012 was 91,100 school-leavers for all types of study (but only 88,000 were admitted), which was 10,000 less than in 2011.

In 2010, when 99,000 pupils left secondary schools, the planned intake for higher educational establishments was 94,200, whereas in 2009, which saw 107,000 school-leavers,

⁷ <http://resourcecentre.savethechildren.se/content/library/documents/global-education-digest-2011-comparing-education-statistics-across-world>

⁸ <http://edu.gov.by/ru/main.aspx?guid=18021&detail=103873>

the intake was about 90,000. If the number of places available in the first year of higher education is 1.5 times higher than the number of secondary school-leavers, it becomes extremely difficult to maintain academic standards for educational quality.

Speaking at the meeting, deputy minister Alaksandr Zhuk remarked that, following the 2012 admissions campaign, state higher educational establishments had not managed to fill around 5,600 places for first-year students in paid tuition, and 198 places in free tuition. Private higher educational establishments were approximately 3,000 students short – they only admitted 34% of the planned number of school-leavers for normal courses, and around 80% for extramural studies.⁹ If these figures are correct, then the actual planned admissions for higher educational establishments were approximately 97,000. This means that, despite the reduced number of secondary school-leavers, the planned number of admissions hardly dropped at all. Such a strategy would be justified if there were plans to fill the vacancies by increasing the proportion of other types of students, *e.g.* foreign or mature students.

One noticeable trend in developed countries is the increased numbers of mature students in higher education. This is related to a new philosophy in higher education – lifelong learning. The “2020 Strategy,” which defines EHEA (Bologna Process) development, requires each country to elaborate special measures to support the most vulnerable categories of the population, guaranteeing the availability and possibility to complete every stage of education. Thanks to this strategy, the study process now involves people who never took the opportunity to gain a higher education before, and more importantly, attitudes are changing towards the value of work experience acquired before entering higher education.

According to data from the *Education at a Glance* report (2012), 20% of students from OECD countries who enrolled in 2010 were aged 26 or over.¹⁰ According to ministry of education figures, however, only 13% of Belarusian students were aged 26

⁹ Ibid.

¹⁰ http://www.oecd.org/edu/EAG%202012_e-book_EN_200912.pdf

or over.¹¹ Before 2012, the number of students from this age group was increasing slightly, but too slowly to be considered a priority for the education system. The pledge to reduce extramural studies may take its toll on the availability of higher education for older people, since the quantitative growth of that age group was mostly related to extramural education.

Hopes of compensating for the funding deficit by internationalising higher education are also rather unrealistic. The state programme for higher education development in 2011 – 2015 foresees a threefold increase in visiting student mobility. It is planned to raise USD 186.71 million in five years through what the programme terms the *export of educational services*. According to preliminary calculations aired at the ministry of education meeting on February 6, 2013, the results for 2012 compared to previous year were: no less than 121.9% (or USD 22.8 million) for export of services, instead of the planned 115%, while the services foreign trade balance was USD 20.6 million, instead of the USD 9 million planned for 2012.

In the academic year 2012 – 2013, the total number of foreign citizens studying at all types of Belarusian educational establishments rose by 1,786 to reach 13,922, or 114% of the 2011 figure (12,136 people).¹² In 2011 – 2012, the total number of foreigners in higher education was 10,700.

Turkmen students have been the most numerous foreign students in recent years. Out of the 10,700 foreign students in 2011 – 2012, 5,055 (or 47%) were citizens of Turkmenistan,¹³ yet only five Turkmen students graduated in 2012. There are obvious political reasons for such explosive growth of mobility from that country. Following Lukashenko's visit to Ashgabat in 2010, Belarus received a flood of student applications from Turkmenistan. Since president Niyazov had destroyed secondary and higher education in his country, it became impossible to guarantee minimum education standards there. In many cases, even studying in

¹¹ Higher educational establishments of the Republic of Belarus (2012). Statistical handbook. Academic year 2011 – 2012. Minsk, pp. 126, 130, 200, 202.

¹² <http://edu.gov.by/main.aspx?guid=18021&detail=111833>.

¹³ Higher educational establishments of the Republic of Belarus, op. cit., p. 170.

Belarus cannot remedy the situation, but higher educational establishments dare not fail unsatisfactory students, both for political and economic reasons. Belarusian higher education, which is not of especially high quality anyway, is losing out even more from this Turkmen internationalisation.

Currently, no more than 2.4% of students are foreigners, which is much lower than during the Soviet era. This is insufficient to make up for financial losses caused by demographic factors. The growth in the number of foreign students is being held back because Belarusian higher education is isolated from common European processes. Unless it is modernised, higher education cannot count on a large influx of foreign students. However, the current authorities have no real plans to modernise education. Within the mandate given to the ministry of education by the presidential administration in 2010, Belarusian higher education is limited to superficial imitations of certain elements of the Bologna model. The shattered illusion of gaining simple, unimpeded EHEA membership, and the deteriorating financial situation in higher education both mean that answers to these challenges must be sought.

In the current situation, the state is still banking on further price increases for study courses. The minister of education forecasts continued price rises for educational services, without offering the standard preferential student loan programmes that many countries do. Loans available from the Belarusian state are subject to much worse rates than in Europe.

The main problem for the authorities, however, is still secondary education. 66.7% of all budgetary funds are spent on preschool and general secondary education. But, according to the minister, the school education system is in a very bad way from the point of view of economic efficiency. The main indicator of financial efficiency in education is the student – teacher ratio, which has remained unchanged in recent years at the level of 8.5–8.6 pupils per teacher. Considering that this figure is somewhere between 13–16 pupils per teacher in Europe, the Belarusian situation seems economically unjustified.

International experts have pointed at the surfeit of teaching staff in the past, but the authorities have long turned a blind eye to it. Such inefficient spending was justified by using teachers

to perform non-educational tasks: ranging from staffing polling stations to making people pay their debts for public utilities. The worsening economic situation forced the authorities to resort to such measures.

The ministry of education meeting on February 6, 2013 demonstrated that the authorities are now prepared to sacrifice their army of unpaid assistants. Deputy Prime Minister Anatol Tozik called for a 20–25% cut of budgetary funds, which could theoretically be used to provide incentives for the remaining teachers.¹⁴ Time will tell how these funds will be used, but it is already clear that Tozik's demands will require sacrifices, although the education system will gain the chance to modernise.

In addition to eliminating evening classes and professional training facilities, closing small schools, and setting strict limits on class sizes, the ministry announced an experiment to test a new school funding system based on a fixed budgetary provision for each pupil being taught. This is essentially an attempt to shift to voucher-based funding for secondary education, which has allowed the school education system to be optimised in certain countries. However, other countries have shown that this model only works if educational establishments are truly autonomous and there is competition among private and state schools, but Belarus has neither of these factors. Out of the 11 private schools set up in the mid-1990s, just *five* started a new academic year in 2012.

The Education Code makes no legislative provision to give educational establishments more independence. We will be seeing how far the authorities are prepared to go with modernising secondary education in 2013, when the experiment begins.

Conclusion

2012 was marked by a heightened crisis in education policy. The authorities are no longer capable of guaranteeing either the quality of education, or its social orientation. The combination

¹⁴ http://www.belta.by/ru/all_news/society/Tozik-konkurentosposobnost-belorusskogo-obrazovaniya-neobxodimo-povyshat-na-vsex-urovnjax_i_623254.html

of bureaucratic authoritarianism and meagre funding is driving the education system into an impasse from which it is impossible to escape without sacrificing its fundamental principles.

Since there is no chance of political liberalisation and decentralised education management under the current regime, we must hope for a semblance of economic liberalisation. In the Belarusian situation, liberalisation is understood to mean increasing the efficiency of the dwindling budgetary funds, and placing the burden on non-state funding sources. The authorities are willing to sacrifice social paternalism and available, affordable education, but will not allow education to be co-managed by the social groups that provide the bulk of its funding — parents, students, and employers.

THE SWING PRINCIPLE IN SCIENCE AND INNOVATIONS: BETWEEN RADICAL MODERNISATION AND MAINTAINING THE *STATUS QUO*

Andrei Laurukhin

Summary

In spite of the “Lukashenko ultimatum”¹ given to Belarusian science at the end of 2011, the status quo was still maintained and promised reforms were stalled. Attempts to initiate “internal competition” between academic and university science ran into obstacles due to the inertia of the former and inactivity of the latter.

The announced transformation of the funding structure and the increased actual costs for financing scientific, technical, and innovation activity did not change the long-standing trend of science being chronically underfunded. The key problem of linking science with business and industry was still not resolved. Apart from some minor improvements to the situation regarding postgraduates in several disciplines, the general trend of downsizing and ageing of scientific staff continued.

Positive results during the year included: improved research intensity figures (up from 0.7% in 2011 to 1% in 2012); Belarus’ rising international ratings (from 52nd to 45th place, according to the Knowledge Index; from 73rd to 59th place, according to the Knowledge Economic Index; and 6th place worldwide for the number of patent applications filed); and various successes in the information technology field.

Trends:

- Drafting of non-standard laws and legislation on science and innovation which do not conform to international requirements;
- Reduced state expenditure on research and development in the GDP, as well as reduced internal spending on research and development in the higher education sector;
- Spending on technological innovation is shifting from the state budget to enterprises’ own funds, credits and loans;
- Stalling of structural reforms to the scientific sector, and slowed innovation development.

¹ http://www.belta.by/ru/all_news/president/Lukashenko-predlagaet-peres-motret-strukturu-organizatsii-nauki-v-Belarusi_i_582374.html

- Deformation of the qualification and age structure, increasing the risk of unbalancing the entire mechanism for renewing staff in Belarusian science;
- Marginalisation of social and humanitarian sciences.

Drafting of laws and legislation on science and innovation: one step forward, two steps back

According to data from the State Science and Technology Committee (SSTC), *four* new laws, *four* presidential decrees, *six* Council of Ministers resolutions, and *eleven* SSTC resolutions were passed in 2012. Among these, we should mention: Belarusian presidential decree No.357 of August 7, 2012 *On the acquisition and use of funds for innovation*; law No.425-3 of July 10, 2012 *On state innovation policy and innovation activity in the Republic of Belarus*; Belarusian Council of Ministers resolution No.205 of March 2, 2012, which approved an intellectual property strategy for 2012–2020; and a plan for immediate action to implement an intellectual property strategy in 2012–2013.

Apart from legislation aimed to develop innovation infrastructure, the regulations designed to stimulate scientific, technical, and innovation activity² were also fairly positive. At the same time, a number of key problems remain unresolved. First and foremost, the law *On state innovation policy and innovation activity in the Republic of Belarus* (which came into force on January 27, 2012) filled in some gaps in the definitions of "innovation" and "innovation activity," but did not provide

² Starting from January 1, 2012, the Belarusian Tax Code specified new tax benefits for innovation organisations: income tax benefits, a reduced tax rate of 10% on profit made by organisations from selling their own high-technology products, etc. Also designed to stimulate scientific, technical, and innovation activity were: Belarusian Council of Ministers resolution No.1691 of December 15, 2011 *On amendments to Belarusian Council of Ministers resolution No.98 of January 26, 2010* (concerning an increased prize pool for winners of the national innovation projects competition); Belarusian presidential decree No.231 of June 6, 2011 *On several issues for stimulating the development of high-efficiency industries*; the Belarusian Ministry of Labour and Social Protection and Belarusian State Science and Technology Committee's resolution No.108/22 of November 4, 2011 *On the pay scale for scientific staff of the Belarusian National Technical University's scientific research department*; etc.

any precise definitions according to the international criteria set out in the OECD's Frascati Manual. These imprecise definitions of key concepts, which do not conform to international standards, mean they can be interpreted and applied arbitrarily, making it difficult to monitor them adequately or analyse them statistically, and thus hindering Belarus' integration into the international innovation market.

The laws and amendments passed in 2012 did not alter the mechanism specified in decree No.432,³ which defined the possession and subsequent use of property rights for products of scientific and technical activity. This mechanism gives priority to the state (in questions of acquiring rights) and state organisations (in questions of using those rights). The mechanism also hampers initiative, complicates ways of introducing innovation into industry, and prevents patents from being kept in force on the international innovation market.

The regulations were also unable to reflect the changing nature of scientific and technical activity following integration into the Eurasian Economic Community. Finally, a set of regulations⁴ was intended to bring legislation on science and innovation into line with the Belarusian Education Code, but the latter's extremely conservative standards could have negative effects on the development of university science, as well as scientific, technical, and innovation activity in general.

³ Belarusian presidential decree No.432 of August 31, 2009 *On several issues of acquiring property rights for products of scientific and technical activity, and using those rights.*

⁴ The following legislation came into force in 2012: Belarusian presidential decree No.6 of June 27, 2011 *On amending Belarusian presidential decrees No.7 of March 5, 2002 and No.18 of November 24, 2006, and repealing Belarusian presidential decree No.15 of July 17, 2008*; Belarusian presidential decree No.362 of August 11, 2011 *On amending and supplementing Belarusian presidential decree No.367 of August 11, 2005*; and Belarusian Council of Ministers resolution No.1049 of August 4, 2011 *On amending, supplementing, and repealing several Belarusian government resolutions on education issues*, which had approved regulations on planning, funding, and managing the training of highly-qualified scientific staff using state budgetary funds (and concerned the repealing of Belarusian Council of Ministers resolution No.432 of April 28, 2005, and amending of Belarusian Council of Ministers resolutions No.1283 of September 30, 2006 and No.1411 of October 29, 2007).

Funding for science and innovation: shifting from the state budget to credits and loans

According to SSTC data,⁵ actual state budgetary spending on scientific, technical, and innovation activity was BYR 1,316.1 bn in January-December 2012, which was BYR 379,732 million more than in 2011⁶, but 5.3% lower than what was projected for 2012. The proportion of budgetary funds spent on scientific, technical, and innovation activity was 0.26% of GDP, which was 0.01% less than in 2011. Belarus is still in the shameful position of being one of the OECD and CIS member-countries with the lowest state spending on research and development in the GDP (next to Malta and Macedonia).⁷

There was a continued trend of reducing the Belarusian higher education sector's share of internal spending on research and development, which in 2011 was 9.6% of the total funds for internal spending on research and development (as opposed to 17% in 2005). Funding for scientific research activity in the higher education sector still did not reach the 2008 level (0.1%),⁸ and corresponded to the lowest level of similar spending in OECD countries (0.06% of GDP, according to data from 2011).⁹

As before, the lion's share of the funding structure for science and innovation in higher educational establishments came from national budgetary funds, and the amount of education establishments' expenses covered by innovation funds fluctuated within the hundredths of one percent (in 2010, it was 0.04% of the total expenditure).¹⁰ One positive aspect was an increase in spending on materials and equipment for science, which exceeded 10% of state budgetary spending on science for the first time in recent years, reaching 11.4% in 2012.

⁵ <http://www.gknt.org.by/opencms/opencms/ru/news/---2012---2013/>

⁶ *Science and innovation activity in the Republic of Belarus*. Statistical handbook. Minsk, 2012. P. 68.

⁷ *Ibid.*, p. 149–151.

⁸ *Science, innovation, and technology in the Republic of Belarus, 2009*. Statistical handbook. Minsk: BelISA, 2010. P. 9.

⁹ Calculations based on: *Science and innovation activity*, op. cit., p. 66–70.

¹⁰ *Innovation performance review of Belarus*. UN, New York and Geneva, 2011. P. 121–122.

In 2012, the spending structure for technological innovation (regarding funding sources) was approximately the same, as was the trend for changing sources of funds. According to official data for 2011, out of the total expenditure on technological innovation (regarding funding sources): 60.5% was industrial organisations' own funds, and 48.5% was service organisations' own funds; credits and loans covered 30.3% and 10.8% respectively; national budgetary funds accounted for 3% and 3% (of which funds for innovation were 1.3% and 1.8%); and local budgetary funds constituted 0.1% and 0.1% (of which funds for innovation were 0.03% and 0.0% respectively).¹¹ Overall, the funding structure for technological innovation showed a continued trend for increased shares of enterprises' own funds, and a reduced proportion of national budgetary funds (down from 8.7% in 2007 to 3% in 2011), as well as a considerable increase in the amount of credits and loans (up from 9.4% in 2007 to 30.3%(!) in 2011).

Therefore, over 90% of all spending on technological innovation in industrial organisations, and 80% in service organisations, originated from two sources: own funds, and credits and loans. Both sources are indirectly derived from the state budget and basically rule out any risky projects, which is a serious obstacle for innovation development.

In the short term, it is difficult to predict any significant changes for the better in the funding structure due to the low level of non-state funds for research and development (0.53% of GDP in 2011), and the insignificant involvement of small and medium-sized enterprises (SME): only 0.68%¹² of the total number of organisations surveyed were involved in joint innovation projects. The amount of venture capital in the GDP did not even figure in the statistical data.¹³

The Academy of Sciences: merely an ideologist of modernisation

2012 had been declared a year of structural reforms, yet demonstrated one of the weakest aspects of the centralised, state-

¹¹ *Science and innovation activity*, op. cit., p. 104–105.

¹² *Ibid.*, p. 15–16.

¹³ *Ibid.*, p. 149.

centric model for science and technology – its inability to be reformed from the inside. Attempts to initiate “internal competition” between the Academy of Sciences and science in universities came up against an insurmountable obstacle: academic and university science are in totally different “weight classes” concerning certain key parameters.

Despite the fact that universities are the main “hotbed of professionals” in the Belarusian scientific and innovation system, science in higher education occupies a marginal position. Higher educational establishments accounted for just 12.6% of the total number of organisations involved in scientific research and development (according to data from 2011). Their human resources constituted 9.8% of the total number of staff engaged in scientific research and development (2011 data), and they carried out 12.06% of all scientific work in 2010. The proportion of innovation enterprises belonging to higher educational establishments was 6.4% of the total (2011 data); their proportion of valid patents for inventions was 18% of the total (2009 data); and funding for research activity in higher educational establishments was 0.06% of GDP (2012 data).¹⁴

On the contrary, the Belarusian National Academy of Sciences (NAS) is the absolute leader in terms of the quality of its scientific staff and its contributions to research and development. According to 2011 data, its staff made up 31.3% of all people engaged in scientific research and development (including 31.6% of researchers, 66.4% of Doctors and 58.7% of Candidates of Science), and they implemented 63.9% of the total number of projects funded.¹⁵ On the one hand, such a high concentration of human resources fits in perfectly with the current centralised, pyramid-managed model for science and innovation management. On the other hand, however, it complicates corporate competition, without which effective, substantial restructuring is impossible.

Such restructuring is obviously needed due to the rather modest contribution the NAS makes to the national economy.

¹⁴ *Science and innovation activity*, op. cit., p. 28.

¹⁵ The General Assembly of the Belarusian National Academy of Sciences sums up its results (2012, June 21) // *Viedy*, No.26 (2390).

This is striking if one compares it with newer entities like the High-Tech Park (HTP). According to the NAS' 2011 report, the work done by 17 800 researchers, technicians, auxiliary and service staff brought in just over USD 70 million,¹⁶ whereas the total income from sales of software products and software development services created by 14 500 IT specialists was USD 370.5 million.¹⁷

An equally impressive difference in development dynamics is that in just six years, the HTP has managed to: make USD 1 bn; attract companies from 53 countries (of which around 50% were joint-stock and foreign enterprises); direct 84% of exports to high-tech markets in America and the European Union; increase direct foreign investments by 30% (even though they had generally dropped by 1.5 times); create 14 500 new jobs; and make some perfectly realistic plans for the future.¹⁸ The number of NAS staff, on the other hand, is declining annually, and their scientific development rates leave a lot to be desired.

The Academy of Science's contribution to developing the scientific-industrial complex is also underwhelming: out of 501 organisations engaged in scientific research and development, the majority of economically viable research and development projects are implemented by scientific research institutes and design offices which employ 16 800 researchers (53.8% of the total!). Moreover, the core of the scientific-industrial complex is 67 organisations belonging to the ministry of industry (over 4300 researchers) and 18 organisations belonging to the state military-industrial committee (more than 2,000 researchers).

Consequently, despite being in the lead in terms of the quality of its scientific staff and contributions to research and development, the NAS is still the epitome of fundamental, theoretical science which bears little relation to the demands of the economy and, therefore, innovation development. Nevertheless, the NAS,

¹⁶ Ibid.

¹⁷ <http://www.park.by/post-594/>

¹⁸ According to estimates by International Finance Corporation experts, the income from the Belarusian IT sector could reach USD 3–4 bn by 2020, or 4–5% of the last year's GDP. Sources: *The High-Tech Park sums up its work in 2012*. Ibid.; *Can the Belarusian IT sector become the driving force behind the economy?* Retrieved from <http://news.tut.by/it/336052.html>.

like the SSTC, is a key element of Belarus' centralised, hierarchical, and pyramid-managed national innovation system. This contradiction between the status of the NAS and its actual contributions to the research intensity of the economy allows one to take Prime Minister Mikhail Myasnikovich's statement¹⁹ regarding its role in the modernisation process literally: at best, the Academy of Sciences could be the main ideologist of modernisation, but not its initiator and driving force.

Conclusion

Hopes of creating modern laws and legislation on science and innovation that would conform to international standards and requirements have not been justified. The legislature's attempts to combine the principles of a "manually managed" state-centric economy with contemporary innovation trends have led to hybrid standards which hinder the growth of the economy's research intensity, forcing innovators out into the fringes of innovation development.

Attempts to compensate for the chronic lack of funds for science and innovation with more credits and loans rules out risky projects, and preserves an inefficient funding model which is incompatible with a research-intensive economy. Budget cuts for science and innovation, a badly thought-out infrastructure policy, and increased disciplinary control are turning the state into an overseer that makes mindless, ineffective use of the current system's financial, intellectual, and institutional resources. At the same time, the successes of new enterprises and organisations which do not fit in with the current organisational structure (*e.g.* the HTP) are becoming all the more obvious. This puts the issue of the latent erosion of Belarus' centralised, pyramid-managed national innovation system firmly on the agenda.

¹⁹ <http://www.government.by/ru/content/4232>

CHURCHES AND THE STATE: TEN YEARS AFTER THE LAW *ON RELIGION*

Natallia Vasilevich

Summary

In 2012, ten years after the adoption of the new version of the law *On freedom of conscience*, the state still tightly controls religious activities. Religious organizations, especially the Protestants that used to actively fight for their rights, tended to adjust to the existing conditions. Despite the participation of the Churches in public discussions about some legal initiatives, they confined themselves to a narrow list of issues: demography, family values, morality and abortion. This position is becoming more definite and systematic, it is drawing more and more public response but it has little influence on the state policy. The Belarusian Orthodox Church saw structural (on the highest level) and personnel (on the mid-level) transformations closely connected with the probable changes in the management of the Belarusian Exarchate. The arrival of the new representative of the Vatican in Belarus did not boost relations between the authorities and the Roman Catholic Church, including preparations for the concordat or the Vatican's mediation in negotiations with the West.

Trends:

- The religious sphere has been oppressed on the institutional level since the adoption of the law in 2002, but main conflicts are being resolved and confrontation between the authorities and the Protestant churches is declining;
- The Churches participate more in public discussions about demography and abortion, sometimes in opposition to the official opinion; but they never go further than these issues;
- The Belarusian Orthodox Church endures structural and personnel changes, a new group forms in the top administration;
- The tension between the Orthodox and Greek-Catholic Churches became public and increased;
- Relations between the Belarusian authorities and the Catholic Church remain "frozen."

General situation

According to the Commissioner for Religious and Ethnic Affairs, the number of religious organizations has not changed

significantly and their number equals 3416.¹ The largest number of communities is in the Belarusian Orthodox Church (in 2012 they grew from 1567 to 1594), but the actual number of Orthodox worshippers in Belarus remains unknown as neither the authorities nor the Church keep any statistical records. In contrast, Catholics have the official data of the number of worshippers – 1 million 402 thousand 605 people² (which makes over 14% of the entire population), but the calculation methods and their validity are not specified.

The “measurements” conducted by the Information and Analytical Centre under the Administration of the President seem doubtful, too. According to them, 93.5% of the population relate themselves to some denomination: 81% to the Orthodox, 10.5% to the Catholic and 2% to others, whereas only 11.5% of all respondents “are religiously active.”³ 97% of all respondents underline that “the representatives of destructive cults do not violate rights and freedoms of the citizens.” The question if the authorities do was not included into the survey.

Freedom of religion and belief

The key regulatory document for religious organizations is the adopted in 2002 law *On freedom of conscience and religious organizations*, which puts them into an “invisible ghetto.”⁴ Analysts point out that the number of reports on cases of oppression is growing less.⁵ Although early in the year there was a violent attack on the house of pastor Antony Bokun, the year rounded up with the end of the long-lasting conflict around

¹ http://www.belta.by/ru/all_news/culture/V-religioznoj-zhizni-Belarusi-soxranjajut-veduschuju-rol-traditsionnye-konfessii-Guljako_i_622119.html

² Official web site of the Roman Catholic Church in Belarus: <http://www.catholic.by/2/belarus/dioceses.html>

³ http://iac.gov.by/ru/sociology/research/Obschestvennoe-mnenie-o-situatsii-v-natsionalnoj-sfere_i_0000000214.html

⁴ Fagan, G. Forum 18. Belarus: Religious freedom survey, January 2013. Retrieved from http://www.forum18.org/Archive.php?article_id=1796.

⁵ U.S. Department of State. International Religious Freedom Report for 2011: Belarus. Retrieved from <http://www.state.gov/j/drl/rls/irf/religiousfreedom/index.htm?dliid=192787>.

the New Life Church; by doing so, the authorities met the resolution of the European Parliament of 2009.⁶

The law of 2002 tightened state control over religious organizations and stimulated the latter to fight for their rights. After ten years both these processes subsided. The control has not relaxed but conflicts became less sharp; religious organizations, mainly the Protestant, which used to be in the "line of fire", started settling them without public and media attention.

Tension is increased by article 193-1 of the Criminal Code stipulating the liability for operations of an unregistered organization, among others of a religious character. No criminal proceedings were started based on this article, but a number of people received a warning from the Prosecutor's Office, e.g. the Sużko family from Mazyr, Homiel region. The majority of such cases did not become public.

The general decreasing tendency touched the campaign *For Freedom of Belief* that was closed after collecting only 715 signatures on the Internet.⁷ Despite that in 2008 they collected over 50 thousand signatures for changes into the law *On freedom of conscience and religious organizations*. The human rights activities abandoned the form of campaigns and focused on legal work and cooperation with civil society. For example, at the OSCE meeting they presented a letter *On the need to decriminalize activities connected with the realization of the right for freedom of association and freedom of religion in Belarus*.⁸

In 2012, another issue related to religious practicing became topical when the authorities declared the Sunday of 11 March a working day, though the reaction of the Churches was not that radical. On the eve of the Orthodox Easter the authorities organized a national *subbotnik* (community work day).

⁶ European Parliament resolution of 17 December 2009 on Belarus P7_TA(2009)0117. Retrieved from <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2009-0117&language=EN&ring=P7-RC-2009-0248>.

⁷ Petition: <http://www.change.org/petitions/belarusian-authorities-for-freedom-of-association-and-freedom-of-belief-in-belarus>; Internet campaign: <http://svobodavery.org>.

⁸ <http://forb.by/node/360>

The authorities continued the practice of controlling mass religious festivals with special entry system, instances of body search, extraordinary police control both at major religious holidays and at single festivals, e.g. Budslau fest. The law enforcers were performing both security and ideological functions, for example they arrested the pilgrim at Budslau fest for wearing a T-shirt with the image of pastor Bahatkevich. After the explosion in the underground in 2011 these measures were of an extraordinary character, but with time they turned regular, similar to those during political rallies, when the meeting places are surrounded by rails and the law-enforcers conduct body searches. These security measures perform not only the functions of control but also create a specific psychological atmosphere.

Fingerprinting

Whereas the extraordinary security measures stirred little dissatisfaction, the forced fingerprinting was received with strong opposition. Already back in 2011 several Orthodox priests were made administratively liable for refusal to undergo fingerprinting, but only in 2012 these cases were featured in the media.⁹ The issue was raised in early 2012 at the meeting of Minsk eparchy, which nevertheless failed to formulate the official standpoint; the protests were of a spontaneous and individual nature and discussions around the issue were held within the religious discourse, not within the human rights sphere. The Synod of the BOC adopted a statement on the problem, of a rather fragmentary nature, attempting "to formulate its position not in the spiritual but rather in the legal dimension."¹⁰

⁹ Vasilevich, N. *Daktiloskopirovanie i Tserkov: kontury soprotivleniya* [*Fingerprinting and the Church: outlines of resistance*]. Retrieved from <http://nmbny.eu/news/express/4863.html>.

¹⁰ The announcement of the Synod of the Belarusian Orthodox Church *O praktike ispolzovaniya novykh sredst identifikatsii grazhdan* [*On the practice of applying new methods of personal identification*]. Retrieved from <http://www.church.by/resource/Dir0301/Dir0302/2012/Page4277.html>.

Health care, demography and abortion

The Orthodox and Catholic Churches tended to play a more significant role in the social sphere, including their criticism of the legislation. In 2011, the law *On reproductive technologies* was passed, and the Churches came out with its criticism separately. In 2012, the draft law *On health care* sparked new discussions but the Churches focused on the issue of abortion and returned to the questions of reproductive technologies, once again confining themselves to a narrow circle of issues. Their position drew a wide response, but, as in case with the previous law, their influence onto the legislation was minimal. The Council of Ministers made some minor amendments to the procedure of abortion by eliminating a number of "social factors" for abortion between the 13th and the 22nd pregnancy weeks.¹¹ But these abortions make only up to 8% of all operations (including abortions for medical reasons). The forecast is that in the medium term this group of abortions will be carried out at earlier terms. Therefore, the victory is rather tactical than strategic.

Morality and feelings of the believers

Much greater response from the authorities was paid to the protests of believers and, in some regions, of church administrations, against the musical *Jesus Christ Superstar*. Despite that the artwork is differently received even among the Orthodox, for example, in Russia the church authorities were against its prohibition, in Belarus the shows were cancelled. The issue of "the feeling of the believers" was raised in the scandal with the band *Pussy Riot* that also transferred into the Belarusian public sphere.

Political prisoners

The democratic society expected the churches to voice support for the political prisoners and even help release them. The Catholic Church was reserved in expressing its position: Metropolitan

¹¹ Resolution of the Council of Ministers №23 as of 11.01.2013: <http://www.pravo.by/main.aspx?guid=3871&p0=C21300023&p1=1>.

Kandrusevich commented on Kavalenka's hunger strike,¹² priest Piotra Rudkouski reflected on the priorities of the church. The latter declared that "there are a number of problems, of more terrible nature, that require more positive counteractions, such as abortion and reproductive technologies." He observed that despite the existing problem of political prisoners the public should not interpret the missing statement on this issue as "the key criterion of the social and ethical mission of the Catholic Church."¹³ Nevertheless, the papal representative in Belarus, archbishop Gugerotti, visited a number of political prisoners in late September "as a mark of respect for the universal moral authority of the Holy Father and humanitarian activities of the Holy See, within bilateral diplomatic relations."¹⁴ As for the Belarusian Orthodox Church, the public expectations turned vain. Nevertheless, the Church *did* stand up for political prisoners, not Belarusian though. The BOC top administration was so active in pleading for Abbot Ephraim of Vatopedi (arrested for alleged fraud and embezzlement) that the Ecumenical Patriarch had to issue an official announcement against the interference into the jurisdiction and borders of the Ecumenical Patriarchate.¹⁵

Belarusian Orthodox Church

Relations between the state and the Church remained stable despite the conflicts about fingerprinting, criticism of the law *On public health*, non-endorsed construction of church buildings (30–40%) and "unlicensed retail sale of religious items and precious metals outside church buildings and territories."¹⁶ In 2012, the BOC received over EUR 3 million for education only.¹⁷

¹² <http://nn.by/?c=ar&i=71156>

¹³ Rudkouski, P. *La varotau Kaściola. Kaściol la varotau sumleńnia* [*At the gate of the Church. The Church at the gate of consciousness*]. Retrieved from <http://nn.by/?c=ar&i=71719>.

¹⁴ <http://catholic.by/2/home/news/belarus/34-belarus/114091-znjawolenyja.html>

¹⁵ Announcement of the Holy Synod on the situation around Abbot Ephraim. Retrieved from <http://churchby.info/rus/797/>

¹⁶ http://www.belta.by/ru/all_news/culture/V-religioznoj-zhizni-Belarusi-soxranjajut-veduschuju-rol-traditsionnye-konfessii-Guljako_i_622119.html

¹⁷ Ibid.

The BOC also tried to emulate the new trend in the Russian Orthodox Church within Patriarch Kirill's policy: to divide eparchies and create Metropolitan okrugs (administrative units). At the January Synod there was a proposal to divide Viciebsk eparchy, which would have raised the status of archbishop Dzmityr, among others as a potential candidate for the post of Exarch. This proposal was not developed further. To counter-balance the trend, that Synod set a new trend – to restructure the Exarchate by introducing the Executive Office with archbishop Gurias as its head.¹⁸ Known as a “monk” and “prayer sayer” he turned into a manager and sky-rocketed both personally and institutionally through greater powers of the executive body under his supervision. He received the Spiritual Revival Award, initiated significant structural and personnel changes in Minsk Theological Academy and Seminary, of which he also became head. He gave a resounding interview about the Uniate Church,¹⁹ which kicked off the anti-Uniate campaign. The Synod of the BOC adopted a number of resolutions to honor Metropolitan Siamashka and establish a remembrance day for the Polack Sabor of 1839. Two visits of the influential Orthodox hierarchs – Metropolitan Hilarion and Patriarch Kyrill²⁰ – allowed strengthening the positions of archbishop Gurias and archpriest Feodor Povny, which are in some opposition to the Synod.²¹

Roman Catholic Church in Belarus

Despite the opinion of some Belarusian analysts that the Vatican could be an intermediary in Belarus – Europe dialogue,²² relations

¹⁸ Vasilevich, N. *Ad Sinodu da Upraulennia spravami* ['From the Synod to the Executive Office']. Retrieved from <http://churchby.info/bel/877/>

¹⁹ <http://www.eparhia.by/arkhierei/beseda/o-juvenalnoi-justicii-sposobstvu-jushchei-razrusheniju-semi.html>

²⁰ Vasilevich, N. *Vizit Patryjarcha Kiryła u Bielarus: za tumanam ničoha nia vidna* ['The visit of the Patriarch to Belarus: the haze blurs the picture']. Retrieved from <http://nmnby.eu/news/analytics/4977.html>.

²¹ Ibid.

²² Melyantsou, D. Pikulik, A. *Strategii. Kak ostanovit eskalatsiyu konflikta s ES* ['Strategies. How to stop the escalation of the conflict with the EU']. Retrieved from http://naviny.by/rubrics/opinion/2012/04/10/ic_articles_410_177474/

between the state and the Church, though rather intensive in 2008–2009, kept declining. The conclusion of the concordat dragged out²³, and even the new nuncio Gugerotti did not manage to liven it up. The position of the foreign priests remains critical, and they make up a significant part of the priestly pool (146 out of 439).²⁴

Belarusian Greek Catholic Church

The wave of the anti-Uniate campaign raised by archbishop Gurias²⁵ became especially topical with the visit of a functionary from the Congregation for the Oriental Churches that took place in 2012 but did not help the Belarusian Uniates to meet their critical need for the bishop and establish the canonical structure. According to Archbishop Cyril Vasil, the question of developing the structure of the BGCC is important but “it is still too early to speak about concrete forms, methods and time of its resolution.”²⁶ The similar opinion was expressed by nuncio Gugerotti, who stressed that the best strategy is building the structure of the BGCC from the bottom rather than from the top.²⁷

Conclusion

The following trends are going to develop further, unless any force majeure events intervene.

Firstly, changes in the legislation restraining the sphere of religion will not occur. The oppression is likely to be of a consistent but not violent character so that the authorities can maintain control over the field without provoking conflicts.

²³ Vasilevich, N. *U nas yest Papa* [‘We have the Pope’]. Retrieved from <http://nmnby.eu/news/analytics/5127.html>.

²⁴ http://www.belta.by/ru/all_news/society/Gosudarstvo-okazyvaet-znachitelnuju-finansovuju-podderzhku-v-restavratsii-kostelov-Guljako_i_622126.html

²⁵ Rev. Maiseichyk. *Ten na pleten, ili nedetskaya yustitsiya ot sovestlivogo arkhiepiskopa* [‘Muddy waters, or Non-juvenile justice from the conscientious archbishop’]. Retrieved from <http://churchby.info/bel/862/>

²⁶ <http://www.svaboda.org/content/article/24576341.html>.

²⁷ *The Nuncio to the Greek Catholics: a lot depends on you*. Retrieved from <http://carkva-gazeta.by/design/print.php?year=2012&print=266the>.

Secondly, the state is highly probable to continue the policy of ignoring the position of the Churches on essential social issues by making skin-deep concessions to control disputable situations and counter criticism.

Thirdly, the new round of liberalization and revival of the western vector might involve the Catholic Church, though moderately.

Fourthly, in the Belarusian Exarchate the "group of Gurias" and that of archpriest Povny will gather momentum, which could create controversy inside the administration that is about to undergo a certain transformation.

HEALTH CARE: END OF THE WELFARE STATE

Andrej Vitushka

Summary

After the critical 2011, last year was stable for health care in favorable demographic conditions. Medicine was developing along the established lines: with preference for high technologies and their development in regions. The trend for limiting the range of free medical services persisted as the sector management devised amendments to the Law on Public Health stipulating that citizens who were hospitalized in a state of alcohol or drug intoxication have to pay for their own treatment. Meanwhile, the Ministry declared the invariability of the present health care model and unacceptability of insurance medicine in the short term period. The private medical care sector saw no changes toward liberalization.

The amount of paid medical services in state health care institutions and the import substitution of drugs have increased. Nevertheless, it is obvious that the five-year plan is not going to be fulfilled.

Trends:

- The amount of free medical services is being kept down as the budget for the social sphere is being reduced; paid services are expanded at the cost of free ones;
- Medical institutions are being re-equipped with hi-tech appliances;
- Import substitution of pharmaceuticals remains modest, as well as the market share of Belarusian drugs;
- The outflow of staff.

Demographic indicators and health level of the population

The National Statistics Committee (*Belstat*) reported that as of early 2013 the population of Belarus was 9463.8 thousand¹ and the population loss amounted to almost 1900 people. Meanwhile, last year showed positive demographic dynamics: the birth rate increased from 11.5 to 12.2 and the death rate reduced from 14.3 to 13.4 per thousand people.² As a result, president Lukashenko

¹ <http://belstat.gov.by/homep/ru/indicators/regions/1.php>

² http://www.belta.by/ru/all_news/society/V-Belarusi-v-2012-godu-slozhilis-nailuchshie-demograficheskie-pokazateli-za-poslednie-10-let__i_629063.html

gave the Ministry of Health the task to reach the level of population increase. The official optimism was not marred even by the fact that during the first two months of 2013 the population declined by 2 thousand (more than in 2011 altogether) despite the increased birth rate. The leading causes of death remained traditional - heart problems (almost 53%), malignant neoplasms (14%) and "external factors" – injuries and intoxications.³ The generally recognized factor of high death rate is a high level of alcohol consumption (10.22 liters of pure ethyl alcohol per capita), which significantly exceeds the UNO-established threshold indicator of 8 liters.

According to *Belstat*, the majority of the population evaluates their health as "satisfactory" (62.1%). Only 29.9% have a good health. The number of people doing physical exercises on a regular basis is constantly increasing (from 16.3% in 2000 to 24.7%) but remains small despite the significant state financing of the sector.

The key indicator of the living standard is the life expectancy at birth. In 2012, it was 70.6 years, including 76.7 years for women and 64.7 years for men, which is visibly lower than that in the EU and hardly reaches the level of 1990 in the Belarusian Soviet Republic.⁴ The 12 year difference in life expectancy for men and women remains too large as the "natural" difference established by the UNDP is 5 years.

Belarusian authorities especially pride themselves in reducing the infant mortality to 3.4 per thousand live births. This indicator is the lowest among the CIS countries; it shows positive dynamics and is comparable to the "old" EU countries. Nevertheless, the national estimations are different from those of the WHO Regional Office for Europe. For example, in 2009 they estimated the infant mortality at 11 per 1,000 live births (whereas the national statistics stated 4.7 per thousand), which is better than the average among CIS countries (24.1 per 1,000) but significantly lower than that of the EU (3.9 per thousand).⁵

³ <http://euroradio.fm/ru/report/samaya-rasprostranennaya-prichina-smerti-belorusov-bolezn-serdca>

⁴ belstat.gov.by/homep/ru/indicators/pressrel/older_persons_day.php

⁵ WHO Regional Office for Europe August 2012.

Among infectious diseases, international experts are most worried about tuberculosis and HIV. Belarus remains one of the world leaders in spread of the drug-resistant TB; HIV is also growing (by 2.3% in 2012). The majority of HIV-infected (59%) are young people aged 15–29 and the main transmission method is sexual contact (77.7%), which proves the system of fighting the spread of the disease ineffective.⁶

Financing of health care

The state budget expenses on health care amounted to 3.6% of the gross domestic product. Eventually, the expenses reached 3.9% of the GDP, and in real terms the growth was 23.2%.⁷ Out of the total BYR 18.2 trillion, BYR 14.4 trillion were sent to local medical institutions, as most national clinics had already been modernized.

Traditionally, the main recipient of financing are hospitals, as Belarus holds the first place in Central and Eastern Europe in the number of hospital beds per capita. Presently non-infectious chronic pathologies dominate among reasons for temporary disabilities that require long-term individual treatment, which calls for moving the focus of the health care onto outpatient departments, which in the EU countries receive up to 80% of financing. The WHO experts more than once have drawn attention to the fact that this imbalance should be dealt with to secure the sector's financial stability and reducing its sensitivity to external factors. Local medical authorities more than once expressed their agreement with this opinion and underlined the necessity to develop the primary level of public health, for which, according to minister Zharko, 40% of the 2013 medical budget is to be allocated (compared to 30% in 2012). Nevertheless, the number of hospital beds is not being reduced, which is motivated by the need to develop hi-tech medical help in regions.

Despite the increased financing, the sector traditionally experienced a deficit of expendables as their consignments for

⁶ <http://www.belaid.net/other/situation/>

⁷ *O sostoyanii gosudarstvennykh finansov (yanvar-dekabr 2012)* ['On state finances (January-December 2012)']; see www.minfin.gov.by.

2012 arrived only in September. The issue of unsatisfactory provision of even national hospitals was raised during hot lines with the Ministry of Health, for example, the patients complained about the absence of prosthetic heart valves in the National Center *Cardiology*.⁸ The explanation is simple. It is impossible to maintain a ramified system of hospitals, claim to have the European level of health care and allocate two times less financing than in Europe (4.5% of the GDP in Belarus vs. 7–9% in the EU).

Search for reserves and saving resources

Last year saw an active and multi-level search for means to save resources and define the inter-sector reserves to make ends meet. The trend was set by the sector supervisor in the government Deputy Prime Minister Anatoly Tozik. He proposed taking the symbolic BYR 5,000 for a visit to a polyclinic, not to support the outpatient sector but rather to relieve it. The proposal drew a wide public response as contradicting the present Constitution that guarantees a free treatment in state health care institutions.⁹ But the idea imprinted deeply in the minds of the functionaries and in autumn the Minister of Health Vasil Zharko recollected it as reasonable and speculated what groups could be exempt from paying (for example, children). But he also pointed out that its implementation would be difficult as violating the norms of the Constitution.

The Deputy Minister of Finance Maksim Yermalovich continued discussing the issue of saving money in July. His opinion was that to secure non-deficit state budget, the current expenses for public health and education should be reduced by “placing these sectors into the real economy at the most possible degree and boosting the effects of their economic activities.”¹⁰ In other words, no more free health care and education. The first to pay for their medical treatment are likely to be those who suffered an injury while being intoxicated by alcohol or drugs. This is

⁸ http://www.belta.by/ru/conference/i_279.html

⁹ http://naviny.by/ruBYRics/society/2012/03/02/ic_articles_116_177048/

¹⁰ www.afn.by/news/169362

the norm in the new version of the Law on Public Health introduced to the parliament by the Ministry of Health. It is almost definite that the changes will be passed, bringing estimated economic gain. International estimates of the injuries associated with alcohol consumption put figures as high as 30% of all injuries in Minsk.¹¹

The "trend of saving" was concluded by its setter, Mr. Tozik, who in his statement in late December declared that "the social sphere must not and has no more right to burden the real sector of economy and should find reserves inside its sectors." According to the functionary, public health wastes up to 15% of its budget.¹²

Reforms in health care:

Promoting accessibility of the primary medical aid

Early in the year the Deputy Prime Minister Tozik demonstrated that he is a constructive critic of the Ministry of Health. The sector was reprimanded for being closed to public, absence of critical appraisal of its effectiveness and bad financial management.¹³ Unfortunately, the deep understanding of the systemic problems of the sector found no realization in positive changes of its functioning or management. The Ministry confined itself to skin-deep changes. It stated once again that in the near future insurance medicine is not going to be introduced, though optional medical insurance was recommended. To improve the present financing mechanism, they proposed a pilot project in Mahiliou region and the city of Minsk to confer more financial freedom on local medical administrations.

As in 2011, there were many discussions that citizens abuse the accessibility of medical care, as the average number of visits

¹¹ ALCOHOL AND INJURY in Emergency Departments. Summary of the Report from the WHO Collaborative Study on Alcohol and Injuries. World Health Organization, 2007.

¹² http://www.belta.by/ru/all_news/society/Sotsialnaja-sfera-ne-dolzna-i-ne-imeet-prava-bolshe-nagruzhat-realnyj-sektor-ekonomiki--Tozik_i_619117.html

¹³ <http://zvyazda.minsk.by/ru/archive/article.php?id=94056&idate=2012-03-01>

to polyclinics per capita is twice as big as that in the neighboring countries. Besides the above mentioned proposal to introduce a symbolic fee for a visit to a polyclinic, the Ministry also suggested to introduce an improved system of making appointments, including the Internet, and some changes in writing out prescriptions and medical certificates. As a result, the validity of prescriptions for patients suffering from chronic diseases that have to be on constant medication was prolonged up to 6 months; doctors also received the right to write out a sick note for up to 10 days on a single case basis. In 7 metropolitan polyclinics they introduced a know-how of writing out computer-generated prescriptions for chronic patients. The question of giving the private medical centers legal rights to write out sick leaves was once again positively rejected by minister Zharko in September 2012, but in late 2012 and especially in early 2013 news started arriving that this permission would be issued.¹⁴

One of the most significant initiatives of the Ministry of Health was a campaign to enforce control over the over-the-counter drugs, which would supposedly reduce the number of self-medications and side effects. The response was really significant: both citizens and doctors expressed worries that, despite the rightness of the idea itself, the deficit of doctors in polyclinics would make the waiting lines even longer. As a result, the control was reportedly "tightened," but practically it was relaxed by enlarging the list of over-the-counter drugs by 20%, including popular antibiotics and antihypertensive drugs. The benefits are obvious, the Ministry improved its image in the face of the people and the government, without burdening the primary level, as had been feared. The disadvantages are less obvious but none the less significant. As the 2011 study in the USA showed, almost one-quarter of all antibiotic prescriptions made by pediatricians "probably or definitely did not call for antibiotics."¹⁵ Besides intoxication, uncontrolled use of antibiotics raises the risk of antibiotic-resistant infections, complications, potential deaths and higher costs of therapy.

¹⁴ <http://www.respublika.info/5708/society/article60583/>

¹⁵ <http://www.reuters.com/article/2011/11/08/us-prescriptions-children-idUSTRE7A747G20111108>

Directions of health care development

Transplantology showed significant achievements last year: the liver – heart complex was first transplanted in January and heart – kidney complex in February. Belarusian professionals have also made general arrangements for transplantation of lungs and heart; they also assisted in the first transplantation of a liver in Kazakhstan.

Belarus holds the first place in the world both by volume of hospitalization (every year around 30% of its population is treated in hospitals) and by the number of days a patient spends in hospital (circa 4 days a year for each citizen).¹⁶ As noted above, this hospital domination makes the system resource-intensive, reduces its efficiency and raises susceptibility to external factors. Despite the stated goals to develop hospital-substituting technologies in polyclinics and direct more finances to outpatient services, little is being done in this direction. The focus is traditionally on developing high technologies, especially in regions: providing a wider spectrum of cardiac surgeries, endoprosthesis of joints, and developing regional transplantation centers. There is no doubt that hi-tech medical treatment should be developed, but in Belarus this development is growing more and more asymmetrical, when one sphere is developed at the cost of others and people still go for medical help to over-crowded polyclinics.

The danger of excessive promotion of high technologies in regions was demonstrated by the chief transplant surgeon Aleh Rumo. He said that the mortality rate after transplantation of liver in Belarus is lower than in Germany because operations are being performed in one place with respective technologies and trained specialists.¹⁷ Now around 70 people are waiting for a liver transplantation in Belarus and all of them can be operated in one place only. The situation is quite the opposite with kidney transplantation. Now nearly 600 patients are on the waiting list and the number is growing. Last year only 201 operations were

¹⁶ Zharko, V.I. et al. *Zdravookhranenie Respubliki Belarus: proshloe, nastoyashchee i budushchee* ['Public health of Belarus: past, present, future']. Minsk: Minsktipproyekt, 2012.

¹⁷ <http://news.tut.by/health/291128.html>

performed, therefore kidney transplantation should be developed in regions. On the other hand, kidneys have been transplanted in Belarus since the 1970s and Belarusian specialists are familiar with the procedure.

Paid services in public medicine

In 2012, paid services in public health institutions were offered more consistently. Unlike 2011, the economy was more stable, no devaluation took place, Belarusian money was not devaluated as fast, and therefore, plans for providing paid services were not increased. Over 10 months of 2012 Belarus export of medical services equaled almost USD 22 million exceeding the performance in 2011 by 16%.¹⁸ It is worth noting that medical services formed only circa USD 5 million, the rest came from higher and post-graduate medical education (around USD 10 million), seminars, conferences, consultations and master classes.

Metropolitan doctors earned over USD 6 million in 2012, exceeding the results of 2011.¹⁹ But this amount makes up only 9.6% of the sector budget.

Yearly results showed that by going at this rate the export of medical services is unlikely to be increased by 3.5 times as the *Program for social and economic development of Belarus until 2015* indicates. Unlike the critical year of 2011, when the need for hard currency was very acute, this issue was hardly touched upon both in public and professional discourse in 2012. Little was said about marketing this product either inside or outside the country. As before, state medical institutions are under-represented in the advertising landscape, not to speak about professional positioning strategies. There were also no reports that Belarus presented its medicine in the Customs Union countries.

Moreover, in the majority of institutions paid services have not become more comfortable. It is not rare that the agreement is signed in one cabinet, payment is made in another, and treatment is provided in a third one (often together with "free" patients).

¹⁸ <http://www.iarex.ru/news/32680.html>

¹⁹ <http://minsknews.by/news/2013/02/25/sirenko>

It seems like with a better economic situation and reduced financial tension the sector managers' interest for this issue began to flag, despite that the government regards paid services as an important reserve for raising salaries in medicine.

Pharmaceutical market and import substitution

Last year, the pharmaceutical market in Belarus overcame recession and grew by 2.88% in physical terms; and in money terms – by 25% in hard currency and even by 124% in Br.²⁰ This disproportion is accounted for the double devaluation in 2011 and gradual development of prices down to the pre-crisis level. In 2012 expenses on drugs grew from USD 69 to 86 per capita a year, while for the last five years they had remained stable (around 0.02% of the consumer goods basket). The share of domestic drugs increased insignificantly and equaled appr. 59% in packages. The market share in money terms amounted to 25% according to the marketing agency Intellix M and to 30.6% according to the director of the Department for Pharmaceutical Industry Henadz Hadavalnikau.²¹ As since 2010 the share of domestic drugs in the market has increased by 1% a year, the ambitious goal of 50% seems absolutely unreal. The results of import substitution remained modest. Last year Belarus launched production of over 50 new drugs and saved nearly USD 73 million, which is rather unimpressive with a market capacity of USD 813 million.

This is partially accounted for by the low costs of domestic drugs (retail price of USD 1 for a package of domestic drugs and USD 4 – for imported). Nevertheless, the top two of most profitable pharmaceutical producers are *Belmedpreparaty* and *Borisov Plant of Medical Preparations*.

The market share of domestic drugs can be improved in two ways. Firstly, by raising prices and therefore reducing availability. Secondly, by launching production of new drugs. The latter is

²⁰ http://intellix.by/pdf/Obzor_2012_Intellix.pdf

²¹ http://www.belta.by/ru/all_news/society/Za-15-let-kolichestvo-beloruskix-lekarstv-na-otchestvennom-rynke-vyroslo-v-5-raz_i_628796.html

impossible without attracting investments, which, in its turn, has always been a sensitive issue for our country.

Staffing issue. Motivation of personnel

In 2012 the Minister of Health made a peremptory statement regarding the lack of qualified personnel in medicine. This problem was to be solved in 2014 when 3,200 young specialists of the largest intake of medical students in the history of the independent Belarus finish their practical training. Gradually the deadline was extended to 2015, but it is obvious that the bosses pin great hopes on their future colleagues. The latter are to work on the primary level of medical help where lack of staff is most severe. All in all, the degree of staffing in the sector is 94%, which is possible due to total job combining.

The situation with the staff deficit and chances for its elimination through raising the number of medical graduates is illustrated by the following "Minsk case." In early 2012, medical functionaries reported a deficit of 700 doctors and 1,000 nurses, afterwards, 516 doctors and 378 nurses were placed. Finally, at the beginning of the summer the personnel deficit equaled 1,000 doctors and 1,700 nurses.²²

According to minister Zharko, at the moment 32 thousand doctors are employed (32 doctors per 10 thousand people), which corresponds to the European norms of 30 doctors per 10 thousand people. Although no one mentions that our citizens visit polyclinics three times more often than Europeans and receive more treatment in hospitals than anybody else in the world.

Over the last year the average salary in health care amounted to BYR 3 million 76 thousand, which is 27.2% less than in industry and 17.8% less than in all economic activities. The average salary of doctors equaled BYR 5 million 46.3 thousand, with a job combining factor of 1.4, and that of nurses – Br 2 million 992.2 thousand, with a combining factor of 1.2. If we calculate these figures for a 40-hour week (as most people in the country work), the salary of the doctor will be 14.6% less than the average in industry and that of a nurse – 41% less.

²² http://naviny.by/ruBYRics/society/2013/03/05/ic_articles_116_181033/

The salary growth averaged 20.4% (21.5% for doctors and 22.4% for nurses), which correlates with the country's average of 20.6%. The most significant growth was achieved for nurses engaged in high-tech operation and intensive therapy after them. The increment for high-tech work is up to 160% of the salary but only 10% of all nurses receive it. These new bonuses improved the situation with nurses in intensive wards in regional capitals but helped little in Minsk (81% and 61% of staffing respectively).

The most important improvement of working conditions for medical staff might be the norm of compulsory life and health insurance of medics in the new version of the Law on Public Health.

Nevertheless, as said before "the social sphere has no more right to burden the real sector of economy"; therefore, salaries in health care are not going to increase more than the average in the country.

Conclusion

Public health requires reformation, just like in previous years. But the present management is not ready to abandon the course set as far back as in 1994 and will continue playing the game of "health care of a world level" without any deep transformations of the sector. In the near future the tendency for widening the number of paid services at the cost of free ones and implementation of high technologies, including in regions, will increase.

POST-NATIONAL CULTURE: LIFE IN DEFIANCE OF CONCEPTS

Maksim Zhbankou

Summary

Due to the lack of effective political action and a proper cultural market, the administrative powers of the authorities are still the main instrument for provisionally organising the cultural environment. A logical effect of the general stagnation in the higher echelons of the cultural process is how new non-format artists are being swallowed up by the old “strong” canon. The main resource for recruiting audiences (and boosting artists’ reputations) is something which used to be secondary in the past: media scandals and public conflicts.

The on-going state monopoly over the main channels for spreading cultural information, and cultural censorship are both leading to a reanimation of partisan culture in two dimensions: the myth of the hero, and the domain of cultural activism. The new generation of cultural heroes is choosing not massed attacks, but personal manoeuvres, and a disassociated retreat towards the margins of the inertial cultural process. We are seeing the continued mass reproduction of blurred identities and a multidirectional cultural background.

Trends:

- The formation of a post-ideological cultural field – zones of weaker (second-rate) players – in response to political entropy and social stagnation. Cultural events are being transformed into mere media spectacle;
- The reanimation of partisan culture, one aspect of which is the proliferation of dilettantes, anarchic artists with no connection to local traditions or any clear scale of quality;
- Previous cultural identity models (ranging from state to “underground” types) are losing their significance, and reducing the former ardour of ideological confrontation to a competition between personal style scenarios.

Twilight of the heroes: weak technicians in a time of strong authority

The general situation on the cultural scene is like an extended calm before each new surge of ideological, aesthetic confrontation. The administrative powers of the authorities are still the only instrument for provisionally organising the cultural

environment. This was demonstrated in particular by the *BelExpo-Art 2012* triennial of contemporary art which was launched in Minsk – an officially approved version of the Belarusian art process which raised lots of questions with its extremely assorted participants and provocative absence of any clear concept.

The main activity of Belarusian artists in this era of terminal stability is the rehashing and expanded reproduction of a cultural mythology that was engineered by others. As a result, the symbolic capital of heroes from the time of national and cultural self-determination is inevitably devaluating.

The former captains of our hearts are quietly shrinking into provincial mass entertainers: Lavon Volski, the best songwriter of the 1990s and 2000s, now works in the clowning cultural enlightenment genre, with his *Nazad u buducyniu* ('Back To The Future') programme on *BelSat* TV. The leader of the new wave of homespun poetry, Andrej Khadanovich, mostly publishes translations and poetry for children. Ihar Varashkevich, frontman of the legendary band *Krama*, now plays cover versions in a gastropub. The radical writer Algerd Bakharevich is modestly occupied with his daily roundup of memorable dates on Radio Liberty.

The formerly rebellious rock band *NRM* played in the preliminary heats to select a song for the Eurovision contest. Following the failed triumph of *Masakra* ('Massacre'), Andrej Kudinenko – Belarus' most creative film director active today – went back to work in Russia. Hard rock band *The Toobes* – the musical sensation of two years ago – now play more frequently in Warsaw than Minsk, and are seriously considering relocating.

A logical side-effect of the general stagnation in the higher echelons of the cultural process is how non-format artists are being swallowed up by the extant "strong" canon. The most brilliant unorthodox thinker, Valantsin Akudovich, published a weighty *Kniha pra Nil'to* ('Book About Nothingness') – an attempt to philosophise "according to the rules." Objectively, this experiment by an "alien" to rehabilitate himself in the eyes of the academic community turned out to be an all-round failure, both from the point of view of the originality of his ideas (constant, limited references to tradition) and the quality of his attempt to join the hermetic, corporate world of "orthodox" humanists.

With the canon of "great" culture depreciating in the background, any innovation seems like something from the past. Another premiere by the Janka Kupala theatre was *Miestaukovaže kabare* ('*Small-Town Cabaret*'): a show from the past featuring that *maotre* of nostalgia, the singer-songwriter, actor and showman Viktor Shalkevich. Zmicier Vaitsiushkevich's new disc *Wojaczek* is a double dose of retro: a project based on poetry by Poland's "damned poet" of the 1960s, which was launched about seven years ago. Winner of the Jerzy Giedroyc literary prize in 2012, Uladzimir Niakliaeu's novel *Autamat z haziroukaj z siropam i biez* ('*Soda Fountain with or Without Syrup*') was another missive from a country where time has stood still: notes by the former youngster are interspersed with notes by the presidential candidate. Politics alternates with old-time cinema, spies, underground charmers, girls, the Crimea, lemonade, hepcats, and denunciations. Hovering above this crazy circus is the all-seeing eye of the secret services. The past is the present, and there is no way back because you have never even left.

The old ways are also alive and well at the national cinema studio *Belarusfilm*. The only "news" was an initiative by the studio's new head, Oleg Silvanovich, to fortify its former status of junior partner in co-productions with neighbouring countries. Certain adjustments were made, however, as the studio moved into the prestigious art-house genre. It gained some media resonance with its production support for Sergey Loznitsa's new project *V tumane* ('*In the Fog*') – a German, Russian, Dutch, Belarusian, and Latvian co-production which was successful at Cannes (winning the FIPRESCI award for best film in the main competition). Since the film was based on a story by Vasil Bykau, it was a pretext to declare a "victory for Belarusian cinema." However, not one single full-length feature film made by Belarusians was released last year.

The stupor of the local culture industry blurs all assessment criteria and makes any competition pointless: in this country, there is simply nobody to fight with over audience figures, or to compete with over quality. The main resource for recruiting audiences (and boosting artists' reputations) is something which used to be secondary in the past: media scandals and public conflicts.

Hailed as the "first Belarusian youth TV series" last year, Andrei Kureichyk's *Vyshe neba* ('Higher Than the Sky') project turned out to be... a full-length feature film, edited and shown to audiences against the will of the United Nations Development Programme, who commissioned it. A work-related conflict gave Kureichyk's crew an excuse to accuse the UNDP of political censorship and infringing creative freedom, and to bombard the media with letters and grievances. All this drew attention to their edit of the footage, which was quickly uploaded to the Internet.

2012 saw the continued formation of a post-ideological cultural field – a territory of weaker (second-rate) players – in which the second-hand zone is expanding in response to political entropy and social stagnation. Old heroes turn out to be "new" (in tune with the changing landscape), i. e. they dry up and fade, and their former fight becomes mere media spectacle.

The return of the partisans: manoeuvres in occupied territory

The lack of any obvious signs of a renaissance due to the ongoing state monopoly over the main channels for spreading cultural information, and unflinching cultural censorship (blacklists cover everything from banning concerts by "disloyal" artists, and monitoring events at the *Ź* gallery, to removing "treacherous" film critics from the jury of the *Listapad* ('November') film festival) are all encouraging a reanimation of partisan culture, which has been buried more than once in the past. Conspiratorial tactics, evasive manoeuvres, one-off subversive art actions, spontaneous discussions, chaotic cultural management, the habit of living regardless, and a basic mistrust of state bodies – in practice, all this has turned out to be nearly the only way to create relevant culture here and now. Previous calls to move away from partisan tactics (*cf.* Artur Klinau) today sound like starry-eyed, intelligentsia fairy-tales from another brilliantly failed "thaw."

The partisans have returned in "two columns": as a new old heroic myth, and as methods for cultural activism. The first is a case of renewed attempts to formulate the basic principles of

national consciousness, while the second concerns creative self-preservation techniques for a hostile environment.

One example of the reanimation of national heroism was the folk-punk project *Ludzi na balocie* ('*People of the Marsh*') from Hrodna. After releasing an eponymous debut album featuring rebel songs (seemingly) from the Belarusian People's Republic era, the musicians (by then a militant project entitled *Dzieciuki* ('*Lads*')) discovered their concerts had been banned by the administration. The vaguely partisan charm of *Ludzi's* rough sound, and the band leader's harsh public statements seem like a pale shadow of music from the belligerent nineties. The project is derivative, and only capable of impressing neophytes and frightening the authorities, whose views are equally inertial.

Active efforts to raise cinema standards may also be seen as an attempt to foster "partisan" creativity in 2012. They appeared as a series of private, grant-funded "young warriors' courses," brief cinema schools and blitz-festivals, such as the *One Short Film Fest* in February 2012. Content- and format-wise, the open lectures of Uladzimir Matskevich's *Flying University* may also be placed into that category — a quick intro for those who find officially-approved cultural fodder is not enough.

This trend was also maintained by the Warsaw Belarusian cinema festival *Bulbamovie*, which this year augmented its traditional film screenings with a competition for shorts by young film-makers. Kirill Nong's online debut opus, *Snimat na porazhenie* ('*Shoot to Film*'), was also impressive in this context — a 48-minute amateur movie with gunplay, whose stars are... making an amateur movie with gunplay. They have the technology, but it does not grab you or mean very much.

Currently, independent initiatives of any calibre and orientation are unsynchronised and hasty. There is no hub capable of generating any clear concepts. There is no system for conveying ideas, and no growth vector. This kind of culture is created in a hurry and, consequently, gives birth not to a new elite, but to small packs of ambitious dilettantes. It might be a way to recruit new blood for a cultural production system (although it would need to be polished and filtered first), but no such system exists, so no ideas are being conveyed, just oratory techniques.

New faces: speeches in defiance of the show

The acute sense that previous movements of culture and cultural movements have been exhausted is reflected not only in the chaotic "partisan" events and general stylistic collapse. In 2012, the key figures of the cultural process turned out to be completely new – creative characters on the deserted stage in this era of ideological death. This is life after a nation, or rather in defiance of our previous understanding of a nation.

In this respect, the sensational text *My pakalennie LAST* ('We Are Generation LAST'), published online at the start of the year by the young writer and critic Usievalad Scieburaka, was extremely revealing: "We are Generation LAST... Coming next is not a generation of Belarusians, but a generation of citizens of the Republic of Belarus". Scieburaka convincingly records the death of hopes that "Belarus could be Belarusian", essentially declaring not the demise of "Belarusianness", but its more radical, romantic interpretation along the lines of "one nation – one language – one ideology – one path". The reality has turned out to be polycultural and multilingual, so everyone must redefine themselves from scratch.

The band *Lyapis Trubetskoy* are still actively monetising their prickly, non-format style. Their latest album *Rabkor* reduces former fighting hymns to the level of rhymes fit for the unwashed proletariat who populate *Lyapis'* new videos. Soviet-vintage protest rock has successfully mutated into a popular yob style – heroic epics straight from the local pub.

The *Art Activist* website is going down a similar path. Initially intending to be an active player on the Belarusian art scene, this portal rapidly transformed into an inessential collection of links and footnotes on the life of the local art community. At the same time, the radical projects of the site's boss Siarhei Shabokhin are in odd harmony with its pretentiously neutral style, which successfully swaps relevance for decorativeness.

Many projects from 2012 shone with the reflected light of bygone styles. Unwavering nostalgicians *Serebryanaya Svadba* ('Silver Wedding') are still the darlings of the *experty.by* website, and the band's latest CD booklet comprises a series of postcards of iconic retro pictures, ranging from the *Merchant's Wife* by

Kustodiev to Marilyn Monroe. *Svadba's* new style is equally archaic: decadent lyrics meet 1990s' Balkan pop and 1980s' Moscow neo-futurism. Algerd Bakharevich is busy sifting through the archives: his compilation of essays *Hamburhski rachunak* (*The Hamburg Bill*) is a striking experiment in settling scores with Belarusian literary classics. Meanwhile, Siarhei Budkin's *Tuzin: niemaula* (*Dozen: Infant*) project aims to reanimate Belarusian silent cinema through screenings featuring new soundtracks by contemporary musicians.

The basis for the *Radius nulya* (*Zero Radius*) exhibition project (curated by Ruslan Vashkevich, Olga Shparaga and Oksana Zhgirovskaya) was a collection of artefacts, a quasi-conceptual presentation of other people's material. Here, the ambition to interpret the experience of the noughties came out as a selective public opinion poll which resulted in a chaotic exhibition "approved by the art community" and held in dead workshops at the *Horizont* factory. Material seeking a concept but failing to find it. It is also symptomatic that the Belarusian – Polish design competition *We-2012* (Belarusian curator – Mikhail Aniempadystau) did not offer an integral vision of Belarusian identity, but rather a collection of references to everyday life, language, historical facts, and dead heroes.

The most noteworthy new faces in Belarusian culture are locals expertly tuned into foreign wavelengths. The Mahiliou guitar band *Akute* combined catchy Britpop melodies with affected vocals reminiscent of early *J:Mors*, added the taste of Belarusian language, removed the politics, and ended up as the new heroes for sensitive girls and "native" boys. This is a decent commercial product for the local market. Recent debutante Palina Respublika is also more than your average girl with a guitar: this is French chanson coupled with Belarusian singer-songwriter traditions, and European indie crossed with Russian romantic ballads. Each element is in the right place, and everything works, although perhaps not yet to its full potential.

Maks Korzh's sudden emergence was impressive: after just one year on the scene, this "boy next door", with his good looks and jolly little raps, is already capable of filling 1,000 capacity venues and touring Russia. He turned out to be amazingly relevant with his straightforward lyrics about Saturday-night partying,

gloomy buddies, and unfaithful girlfriends. For the "city centre weekenders" – kids with an average education and average ambitions, who live without big money, major-league politics and ideological battles – he was a mirror in which they were not ashamed to recognise themselves. About a decade ago, Seryoga was exactly that kind of mirror, but nowadays it is Korzh, a figure with intuitive culture and spontaneous life choices. An underdog hero of our times of triumphant stability.

A very interesting new band singing in English is *Clover Club* (winner of *experty.by*'s best newcomer of the year prize). Compared to the dull hipster retro revival of recent years – scrupulous replays of foreign templates from various ages – this group stands out with their lively, entertaining material, enhanced by the musicians' genuine enthusiasm and charm. Different patterns of meaning and growth logic are at work here: distinct music by distinct individuals. They have Europe on their minds, not just on their banners and stickers. This is a new island in the Belarus archipelago.

The new generation is choosing not massed attacks, but personal manoeuvres – a disassociated retreat towards the margins of the inertial cultural process. This is not emigration, but a switchover to another broadcasting frequency. Experiments in life and writing in a country swept by draughts of information.

What is "ours" is irreversibly losing its clear-cut markings in terms of values, style and language: here, "Polish" Vajtsiushkevich merges with "European" Vashkevich, "pro-Russian" Kureichyk and "British" *Clover Club*. There is also new physical theatre, experimental electronica, online video... The competition for national cultural mythologies is quietly turning into a design contest.

Conclusion

The evolution of the cultural situation in 2012 showed that trends underlined in previous reviews have become established and reinforced. The real life of Belarusian creative culture has split away for good from the state, which now only maintains its policing and bureaucratic functions. New Belarusian culture is life after ideology, a partisan movement in a realm of devalued cultural symbols.

Internal emigration – a characteristic trait for unorthodox Belarusian artists – is now transforming into “free swimming”, disregarding the system and no longer hoping for its support. “Individual” artists are converting the new culture into a zone for personal practices, spontaneous situational games that go against any ideological or style barriers. Polystylism and multilingualism are becoming the most relevant forms of “Belarusian-ness,” and the best tactics for local artists are remixing and recycling.

2012 was marked by expanded reproduction of blurred cultural identity. It saw the final shift from quasi-Soviet cultural provincialism to the polystylism of European-type post-ideological culture. In the future, one can anticipate the definitive formation of a new generation of unorthodox Belarusian artists – “citizens of Europe” who express themselves predominantly through international projects, with very few links to the existing patterns of state cultural policy.

SPORTS: OLYMPIC FAILURE AND OVERALL REGRESSION

Barys Tasman

Summary

The year 2012, the year of the London Olympics, probably was one of the richest in contrast in the history of sovereign Belarusian sports. Astounding rises of few superstars in popular sports made the media patriotically ecstatic. But even after Victoria Azarenka topped the WTA ratings and Darya Domracheva won a gold medal in biathlon, the deepening degradation in the sports industry was totally clear.

The problems that had been accumulating over the past years finally detonated. They came out in various areas: a criminal showdown in track and field athletics, a doping scandal at the Olympic Games in London, the revocation of Olympic medals in 2004 for the same reason, the failure of Belarus ice hockey team at the world championship, the worst Olympic results in the history of independence, the lack of newcomers from the next generation of athletes, and the fight for a place in the sun in sports offices. There were so many negative aspects that even the historic win of FC BATE Borisov over one of the world's strongest football teams German Bayern and successes in team sports did not pull it all out of the fire. The president decided to replace the sport management.

Trends:

- Individual achievements on a global level and an advance in team sports;
- Developing doping scandals;
- A failure in finding and coaching athletes who could pick up the slack;
- Long overdue replacement of sport functionaries with a view to reform the industry.

Three stars

In late January, tennis player Victoria Azarenka won her first Grand Slam title in the Australian Open and was ranked world's first by the Women's Tennis Association. The Belarusian retained the unofficial title of world's top-ranked player for almost the entire year, but has failed to repeat the success of this scale so far. She lost to American Serena Williams in the U.S. Open final and the Olympic semifinal, but did not leave London without a

medal. She got bronze in the women's singles and gold in mixed doubles together with outstanding doubles player Maxim Mirny. President Lukashenko was watching Azarenka's progress closely: he sent her congratulatory telegrams over and over again and publicly emphasized her role in promotion of Belarus in the international arena.

Biathlete Darya Domracheva is another president's favorite. The country watched all twists and turns of the Biathlon World Cup competitions on Belarus-2 TV channel. The Belarusian lost the Big Crystal Globe trophy to Magdalena Neuner of Germany, but won the world champion title in one of the distances and a series of races that sent the Belarusian audience into raptures.

Swimmer Alexandra Gerasimenya is the third brightest star. She won silver in the most fiercely competitive 50 and 100 meter freestyle events at the Olympic Games, and later the titles of world and European champion.

The girls have a different sense of patriotism and duty. Victoria Azarenka refused to play for the national team against the teams of the United States and Switzerland for the Fed Cup, the equivalent of the Davis Cup. Domracheva and Gerasimenya on the contrary spare no energy in relay races not trying to save their strength for individual events. Besides, Gerasimenya initiated and hugely contributes to charity projects for orphans and challenged children. When receiving her award, she demanded from the president to appoint a new head of the Swimming Federation.

Forty-four-year-old Sergey Martynov also achieved global scale success. He won every imaginable title in the world's most popular 50 meter rifle prone, including the Olympic gold thus setting a fantastic world record. However, the shooting sports are not football, biathlon or even swim, so the successes of the super shooter are only known in Belarus among specialists.

BATE breakthrough

Team Belarus took part in the Olympic football tournament for the first time. The age of all but three players was limited to 24 years. The debut was not very successful: a victory over all-time

outsiders from New Zealand (1:0) and defeat to the future finalists, Brazilians and Egyptians (1:3 both times).

Belarusian fans were gratified by successes of the Borisov-based club BATE, which became the national champion for the seventh time in a row and made it through to the group stage of the Champions League for the third time. Everyone dreams about the Champions League among other things because the money is good there. In the 2011/2012 season, the team of Anatol Kapsky earned EUR 8.28 million plus nearly half as much from transfer sales of players. BATE Borisov is the only self-sustaining sports club in Belarus.

During the summer qualifying rounds, the team defeated the national champions of Lithuania, Hungary and Israel, and became one of the 32 teams qualified for the Champions League once again. The first two games of the group stage shocked Europe: the Belarusians beat French Lille (away) and Bayern Munich (home) 3:1 in both games. Well, Lille is a typical medium class team, but Bayern is a super club, 2011/2012 Champions League finalist. This triumph will make history in Belarus' football.

After that, the teams started playing against the Belarusians having in mind their strengths and weaknesses and in the remaining four matches did not give BATE a chance even for a draw. But the victories were worth it: each brought a million euros. The Borisov players had never won in group stages of the Champions League before. The third place in the group allowed them switching to the UEFA Europa League.

Other Belarusian football clubs did not get far in European tournaments. Unlike them, Dynamo handball and hockey clubs made a mark. The handball team, which was reinforced with talented players from Russia, Ukraine, Lithuania and the Balkan States, also entered the group stage of the Champions League.

The ice hockey team Dynamo Minsk, which is half composed of Europeans and North Americans made its way into the playoffs of the Continental Hockey League Gagarin Cup of the 2011/2012 season, but was stopped by Moscow's Dynamo club. The series' score was 0:4.

Good results were achieved by other national teams: the women's basketball team led by Lithuanian specialist Rimantas

Grigas and men's volleyball team led by Alexander Sidelnikov of Russia reached the finals in European tournaments. The men's handball team coached by Yury Shautsou was among the 24 participants in the World Cup. One of the highest-paid players of the world Siarhei Rutenka, a star of Spanish Barcelona and now captain of Team Belarus, was shining in the qualifying matches.

Arrests, scandals, crime

A corruption/doping scandal broke in Belarus two months before the London Olympics. The KGB arrested head coach of the national team, Vice Chair of the Belarusian Track and Field Athletics Federations Anatol Baduyeu and athletics team physician Pavel Dryneusky. Both went at large four months later and got back to work. No legal actions were taken and no explanations were provided. Baduyeu's contract with the Ministry of Sports expired shortly after and he was replaced with Alexander Trashchyla who held Baduyeu's vacant office temporarily for five months before the official assignment.

Baduyeu was rumored to extort bribes for settling doping control issues. The investigation could lead outside Belarus. Other states, even the union ones, pursue their own goals and interests. Perhaps, that is why the investigation died out and no evidence of bribery could be found.

Another scandal, which was probably connected with Baduyeu and Dryneuski's arrests, erupted in London. Shot put gold winner Nadzeya Astapchuk was accused of using banned drugs. She was the only champion of the previous Games who had to give the gold medal back.

The National Anti-Doping Agency (NADA) carried out an investigation in Minsk. Astapchuk's coach Yafimau said he poured a banned stimulant into coffee of his mentee before going to London. This bizarre version however explains why the doping tests of Astapchuk taken on July 25, 26 and 30 in Minsk came back negative and the tests taken on August 5 and 6 in London were positive. At a press conference, Yafimau made it clear that he was forced to incriminate himself.

The story did not end, though. Since 2004, the International Olympic Committee and the World Anti-Doping Agency (WADA) store doping samples for eight years. The samples can be re-examined with the use of the newest detection methods. This was done with the samples of the 2004 Olympic Games. As a result, doping was found in samples of five medal winners including Belarusians – hammer thrower Ivan Tsikhan and discus thrower Iryna Yatchanka. The first had to return his silver medal, and the second returned a bronze. The bronze medal in hammer throwing was later given to Belarusian Vadim Devyatovsky, who finished fourth.

Later, problems arose with samples taken at the 2005 World Athletics Championship where four Belarusians were exposed: Astapchuk, Tsikhan and Devyatovsky again, and shot putter Andrei Mikhnevich. The outcome of this sad story will be probably known in 2013.

Weightlifter Mikhail Audzeyeu also lost his bronze medal won at the European Championship due to doping use.

12 against 19

Back in 2000, after the successful performance at the Sydney Olympics where the Belarusians won 17 medals, Alexander Lukashenko started speaking about 25 medals. This figure was then talked about everywhere as an ideal target. Minister of Sports and Tourism Aleh Kachan and Assistant to the President Ihar Zaichkou (both have been removed from office) repeatedly assured that this goal was achievable, although according to the performance statistics on world championships, the possible range was 12 to 15 awards. The lower margin became a reality: Belarus won 12 medals, which was the worst result in its history of independence.

Belarus at the 1996–2012 Olympics

	Gold	Silver	Bronze	Total	Points
1996	1	6	8	15	200
2000	3	3	11	17	228
2004	2	5	7	14	197
2008	4	5	10	19	206
2012	2	5	5	12	157.5

It was a fallback in all directions. This regression cannot be accidental. It is a result of a systemic crisis caused by the economic frustration, rampant corruption and the failure to maintain up-to-date structural organization of Belarusian sports.

The situation can be however viewed from another angle. Belarus is a medium-size European country in terms of both the territory and population. In the unofficial medal chart Belarus' Olympic brigade is rated 26th among more than two hundred delegations. Having comparable populations are Hungary (17 medals, including 8 gold), the Netherlands (20 and 6), Cuba (14 and 5), the Czech Republic (10 and 4), Sweden (8 and 1), Belgium (3 and 0), Bulgaria (0 and 2), Greece in crisis (2 and 0) and Portugal (1 and 0). Belarus is in the middle of the list after Hungary, the Netherlands, Cuba, and the Czech Republic.

Much larger countries are below Belarus (see the summary table below): Romania (9 medals, 2 gold ones), Turkey (5 and 2), Canada (18 and 1), Mexico (7 and 1), Argentina (4 and 1) and India (6 and 0). Not far ahead are Spain (17 medals, 3 gold) and future Olympics host Brazil (17 and 3), which are enormously larger than Belarus. Among the former Soviet republics, Belarus is the 4th. It is no shame to lose to Russian and Ukrainian Olympians, but Belarusians had never given way to Kazakhstan before.

Post-Soviet states at London Olympics 2012

	Gold	Silver	Bronze	Total
Russia	24	25	33	82
Ukraine	6	5	9	20
Kazakhstan	7	1	5	13
Belarus	2	5	5	12
Azerbaijan	2	2	6	10
Lithuania	2	1	2	6
Georgia	1	3	3	6
Uzbekistan	1	0	3	4
Latvia	1	0	1	2
Armenia	0	1	2	3
Estonia	0	1	1	2
Moldova	0	0	2	2
Tajikistan	0	0	1	1

As seen from the results of the Belarusian team, the sports, which have always been considered to be flagships, became a huge disappointment. Track and field athletics, wrestling and rowing did not deliver a single Olympic award as against the Games in Beijing where they brought a dozen of medals. Long-standing traditions collapsed: track and field athletes and wrestlers, who had never come back empty-handed since the distant year 1980, had nothing this time.

No reserve

The statistics shows that the UK's capital saw the oldest team in the post-Soviet history of Belarus. Gold medals were taken by 44-year-old Sergei Martynov and 35-year-old Maxim Mirny (in the double with Victoria Azarenka, 23). Silver winners in canoe double Raman Piatushenka and Vadzim Makhneu are almost 32 and 33 respectively. Canoeist Alexander Bogdanovich, who won silver in canoe double, is 30. Four out of seven rhythmic gymnasts-medalists have ended their careers.

Many veterans, who were expected to reach the Olympics podium, came short of hopes. Among them are 40-year-old rower Ekaterina Karsten, 36-year-old shot putter Andrei Mikhnevich and his age mate, ping pong master Vladimir Samsonov, 35-year-old wrestler Ruslan Sheikhov, 34-year-old gymnast Dmitry Kasperovich, and 33-year-old judoka Ihar Makarau. Forty-seven out of 168 athletes (28%) were 30 years of age and over, and every tenth was over 35.

Those who were 20 to 23 in 2008 were supposed to reach the sports career peak attaining the perfect winning age of 24 to 27. Unfortunately, the national reserve failed the Olympic test. Children's and youth sport schools are mired in poverty. Children's coaches work for peanuts and have to look for side jobs. The most talented children are drilled hard to provide highest possible results, quite often with the help of banned drugs. That is why most of the disqualified athletes are young people at the age of 16 to 21.

Belarus' performance in Rio de Janeiro will be a complete fiasco unless a qualitative shift in training the Olympic reserve is brought about in the near future, and the 12 medals taken in London will look like a tremendous success.

Reshuffle in sports management

When back from London, Aleh Kachan and Ihar Zaichkau started looking for "scapegoats." They published a list of over seventy people to be blamed for the Olympic failure. Most of them were demoted and few were fired, while the minister and his assistant behaved like pure virgins, who had nothing to do with that.

The Olympic meeting was held in late October. President Lukashenko scarified the sports bosses and kicked them out. Non-professionals were tasked to rectify the situation: Deputy Minister of Emergency Situations General Alexander Shamko, 44, was appointed minister of sports; 40-year-old diplomat Maxim Ryzhankou was appointed assistant to the President for sports and tourism; General Ihar Rachkousky, 44, who was removed from the office of border troops commander recently, is now first vice chairman of the NOC. They are to carry out structural reforms in the sports industry. Anatol Tozik, who the president ordered to lead the Federation of Swimming, is their immediate supervisor.

Conclusion

The new management — Shamko, Rachkousky and Ryzhankou — found themselves in a tight spot: they are supposed to clean the Augean stables of Belarusian sports having little time and scarce funding. And, besides, they need time to play in and get a feel of industry specifics. They are to revive children's and youth sports, which have one foot in the grave, create a college sports infrastructure almost from scratch, and eliminate the deficit in sport facilities. The paramount task is to put team sports clubs on a market foundation to change their welfare mentality into partial self-sufficiency.

The most serious problems persist in ice hockey. The preparation for the World Championship is entering the crucial phase. The reserve is as weak as in most sports. It should be taken into account that the reform will be put into practice in conditions of severe budget constraints that will definitely affect the process.

PUBLIC OPINION: BACK TO WHAT IT USED TO BE, OR A BIFURCATION POINT?

Yury Drakakhrust

Summary

With respect to a number of indexes, in 2012 the economic situation was back to the pre-crisis status, thus the mood in society did not recover to the point of December 2010. The same more or less concerns the electoral ratings in terms of social mood: we see a considerable growth as compared with the crisis period, but the result is still below the pre-crisis level. Respondents mostly blame the president for the economic recession and put hopes on him believing that he will find a way out.

The voter turnout during the 2012 parliamentary elections was quite high, but fewer trust the election results. The prevailing aspiration towards integration with Russia registered from September 2011 to March 2012 changed to the opposite pro-European trend in the second half of 2012.

Society and state entered the year 2013 in a state of structural instability. Events can go by the most different scenarios.

Trends:

- Stagnation of indicators of the attitude to the authorities (electoral rating and trust level), while no increase is seen when it comes to the popularity of sociopolitical alternatives;
- Less trust in the results of the parliamentary elections alongside high turnover;
- Preference for European integration over association with Russia.

After the crisis: partial rehabilitation

For Belarus, 2012 was the year of economic stabilization, the period of overcoming the economic recession of 2011. At the end of 2012, the government managed to achieve the symbolically important result: the average wage in dollar equivalent returned to the pre-crisis level of late 2010. The wages went up 63% since December 2011. The growth of the real average wage was less impressive but also considerable reaching 18%.

According to the Ministry of Statistics, the real average wage rose by a quarter over the period till December compared with the month of the last presidential election. Finally, the inflation rate dropped five-fold year-on-year.

So, with regard to at least several socially sensitive indexes, the economic situation in 2012 is back to the earlier, pre-crisis point. However, the pre-crisis sociopolitical situation was not reached. See Table 1 for the changes in the social mood indexes in the past two years evaluated on the basis of the findings reported by the Independent Institute of Socio-Economic and Political Studies (IISEPS).

Table 1. Changes in the indexes of financial status (FSI), expectations (EI) and policy correctness (PCI)¹

Social indexes	12' 10	03' 11	05' 11	06' 11	09' 11	12' 11	03' 12	06' 12	09' 12	12' 12
FSI	9	-4	-45	-72	-69	-53	-25	-19	-10	-9
EI	13	6	-37	-44	-40	-28	-10	-9	-9	-6
PCI	22	5	-33	-36	-52	-30	-17	-22	-13	-13

All social mood indexes were evenly improving throughout 2012: they are much better now than in the 2nd to 4th quarters of the past year, but still there are more respondents giving negative answers to the questions than those whose answers were positive.

Attitude to the authorities: non-return to the year 2010

The public attitude to the authorities did not recover, although improvement is obvious in comparison with 2011 (Table 2).

The electoral rating trend is almost the same: the growth is considerable compared with the bottom point of the recession

¹ The indexes represent a difference between the positive and negative answers to the following questions: "How has your personal material standing changed over the past three months?"; "In your opinion, how is the socioeconomic situation in Belarus going to change in the next twelve months?"; "In your opinion, is the situation in our country changing in the right or wrong way?"

period and even last year's December, but the result does not reach the pre-crisis level (Table 3). To be noticed is that this growth was achieved in the 1st quarter of the year and then minor fluctuations of the March rating were observed. The ratings of the most popular opponents to the president thus remained nearly unchanged.

Table 2. Changes in the answers to the question "If the presidential election were held tomorrow, who would you vote for?" (open question), %

Politician	12' 10	03' 11	06' 11	09' 11	12' 11	03' 12	06' 12	09' 12	12' 12
For A. Lukashenko	53	43	29	21	25	35	30	35	32
For U. Niaklyaeu	7	5	7	6	6	7	6	5	5
For A. Sannikov	3	8	5	9	7	6	5	6	5

Table 3. Changes in the rating of trust in the president and oppositional political parties, %

Answer	12' 10	03' 11	06' 11	09' 11	12' 11	03' 12	06' 12	12' 12
<i>Do you trust the president?</i>								
Yes	55	48	34	25	31	42	39	39
No	34	42	54	62	55	49	52	49
<i>Do you trust opposition political parties?</i>								
Yes	16	–	20	12	13	17	17	20
<i>Are you in opposition to the authorities?</i>								
Yes	19	–	26	28	23	23	19	21
No	72	–	60	56	64	66	71	66

Hope in the one believed guilty

It is however not about just this. People did not overcome the crisis psychologically even by late 2012. According to the December opinion poll, 88% believed that Belarus' economy was in a state of crisis. Moreover, the blame for that was chiefly laid on the president (Table 4). At the same time, most respondents tended to hope that it would be the president, blamed for the crisis, who would find a way out.

Table 4. Changes in the answers to the question "Who is to blame for the current crisis in Belarus?" (More than one answer allowed)

	09'11	12'11	03'12	12'12
President	61	54	49	41
Government	41	45	47	39
Parliament	12	20	17	17
USA	16	14	13	15
Opposition	5	9	6	12
Europe	12	11	16	11
Belarusian people	10	11	10	9
Russia	7	13	6	8

Parliamentary elections as a mirror of ambivalence

The Belarusians also showed ambivalence towards the parliamentary elections of September 2012. The result was totally predictable. All elected house representatives were on the list compiled by the authorities.

No one knew what turnover figures to expect, especially given that some influential opposition organizations led a vigorous boycott campaign. However, according to IISEPS polls, elections should have been voided only in the capital. Only around 10% of respondents said they consciously boycotted the elections (Table 5).

Table 5. Answers to the question "Did you vote in the elections to the House of Representatives on September 23, 2012?" by type of settlement, %

Answer	Minsk (19)	Regional centers (18)	Big cities (19)	Small towns (17)	Rural settlements (26)
Voted early on September 18 – 22 (17)	10	12	19	19	25
Voted on September 23 (49)	34	60	37	53	59
Voted, total (66)	44	72	56	72	84
Boycotted these elections (10)	19	7	10	8	5
Did not vote for other reasons (24)	37	21	34	20	11
Did not vote, total (34)	56	28	44	28	16

According to the polls, turnover in the 2012 elections was approximately the same as during the previous parliamentary elections in 2008 and made up 66%. However, it does not mean that the attitude did not change. Seriously undermined trust was behind this invariance (Table 6).

Table 6. Answers to the question "In your opinion, were the past parliamentary elections free and fair?"

Answer	10'08	12'12
Yes	56	42
No	24	39
Don't know/No answer	20	19

The number of those who believed that the elections were unfair was up 60% and over in the four years and almost equaled the number of those who held the opposite opinion. People's behavior does not change, but their life philosophy does, and the difference is distinct.

Between the West and the East

The most surprising was the last year's change in the geopolitical priorities of the Belarusians. Russia rendered Belarus impressive economic aid during the crisis year. Agreements of late 2011 were crucial. Belarus enjoyed the lowest prices for energy materials among all CIS partners of Russia. Political relations between Minsk and the West were in a state of sovereign "cold war". It is enough to mention the extending list of Belarusian officials and businessmen banned from entering the European Union, the concerted departure of EU ambassadors from Belarus and actual severance of diplomatic relations between Belarus and Sweden after the teddy bear airdrop.

Any appreciable economic assistance from the West was certainly out of the question. The loan negotiations with the IMF, which lasted the whole year, came to nothing. But the geopolitical choice of the Belarusians changed in an unexpected manner.

**Table 7. Changes in the answers to the question
"If you were to choose between integration with Russia and
accession to the European Union, what would you choose?", %**

Answer	12' 10	03' 11	06' 11	09' 11	12' 11	03' 12	06' 12	09' 12	12' 12
Integration with Russia	38.1	31.5	35.3	41.5	41.4	47.0	43.6	36.2	37.7
Accession to the European Union	38.0	50.5	44.5	42.0	39.1	37.3	39.8	44.1	43.4

The preference towards Russia in September 2011 – March 2012 can be explained by its massive financial support. But the effect appeared to be temporary: Belarusians became more magnetized by Europe than Russia (not much more but still more) as soon as the second half of the year.

Conclusion

In sociopolitical terms, 2012 was not a year of bouncing back. Despite the achieved economic stabilization, the attitude to the government was not restored up to the pre-crisis level. In this respect, 2012 was a year of crossroads, or bifurcation. The government's attempts to offer projects to modernize the economic, administrative and political sectors show that the country leadership realizes what is happening and tries to revitalize the existing system.

At this junction, the situation does not threaten the authorities. Their popularity has bottomed out before in the contemporary history of Belarus, in 2002 – 2004, and then jumped again, but there is a first time for everything.

Society and state entered the year 2013 in a state of structural instability. Events can go by the most different scenarios now.

THE MOST MOMENTOUS EVENTS OF 2012 THROUGH THE PRISM OF PUBLIC OPINION

Nadezhda Yefimova

Summary

Starting in February and throughout the year 2012, mass consciousness showed a trend towards *adapting* to the new economic environment, which was manifested in a return to the economic self-perception indicators observed in previous years. However, emotions are different behind the same figures – the anticipation of a new wave of crisis was a permanent factor in 2012. Modernization of production assets is perceived as an essential measure to boost the national economy and improve living standards. When it comes to the choice of allies for Belarus to rely on for modernization, the general geopolitical orientations of the Belarusians become obvious, as 32.3% of the respondents believe that Belarus should appeal to Russia, whereas 18.1% speak in favor of the European Union.

Trends:

- Adjustment and specific adaptation of the Belarusians to the new economic environment;
- Relatively high public expectations of a large-scale modernization;
- A gradual increase in the number of supporters of the abolition of capital punishment.

Socioeconomic sentiment

Following the peak of negative assessments and panic, which transformed into an unprecedented readiness to participate in street protests (estimated at 25%), a process that can be described as "reverse adaptation" (a term coined by Andrei Vardomatsky) began in February 2012. It should not be mistaken for normalization of people's social sentiment. Although the share of negative assessments of the economic situation in the public opinion began to go down, while the share of neutral assessments started to grow, this cannot be called stabilization or a return to the status quo, because one of the essential characteristics of the emotional state of the Belarusians is the permanent expectation of a second wave of crisis. Moreover, in December 2012, the trend reversed, as negative assessments of the situation in

the country went up to 32% from 26%, while neutral assessments dropped to 50% from 58%.

Overall, the sentiments registered in 2012 were more positive than those observed in 2011 – back in 2011, only 14.2% of the respondents called the year favorable for Belarus, whereas in 2012, the figure grew to 43.9%.

When asked about their personal life, 62.1% of the Belarusians called the year 2012 favorable, up from 43.7% in 2011. It seems the crisis-induced tensions had been overcome by the end of 2012. It is especially important, though, that positive assessments of the economic situation never reached the level recorded during the most favorable years (2005, 2006, and 2010), but correspond mostly to the indicators registered at the start of the decade.

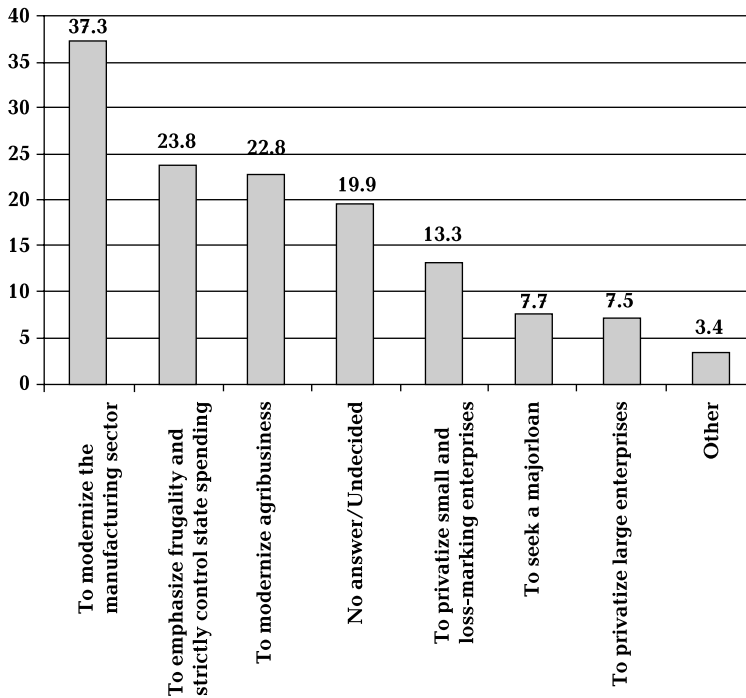
The difference in the assessments of the economic status of the country and personal financial situation has remained unchanged during the last ten years (which can be interpreted as the high dependence of citizens on the state). However, during the year 2011, affected by the crisis, the gap between the assessments of personal well-being and financial health of the state widened – people turned out to be way more pessimistic about the situation in the country than they were about their personal finance (their household). The respondents must have thought this way: “the state has had a bad year, but the year has been quite acceptable for me.” In 2012, the gap narrowed a bit, but remained broader than in previous years. The crisis may have encouraged people to rely less on the state and work out their own survival strategies and create “airbags” (such as labor migration).

Focus on modernization

The answers to the question “What measures should the Belarusian administration take in the first place in order to improve the economic situation in the country and raise living standards?” (spring 2012) indicate that the traditionally strong stereotype about the importance of frugality was no longer a priority (23.8%) (Fig. 1). The cautious attitude to privatization was almost unchanged – only 13.3% of the respondents said that small and loss-making enterprises should be privatized, and only 7.5% spoke in favor of the privatization of larger enterprises.

As for modernization, especially the modernization of manufacturing companies, the Belarusians believe it to be an important measure that should be taken immediately.

Figure 1. Answers to the question: "What measures should the Belarusian administration take in the first place in order to improve the economic situation in the country and raise living standards?", %¹



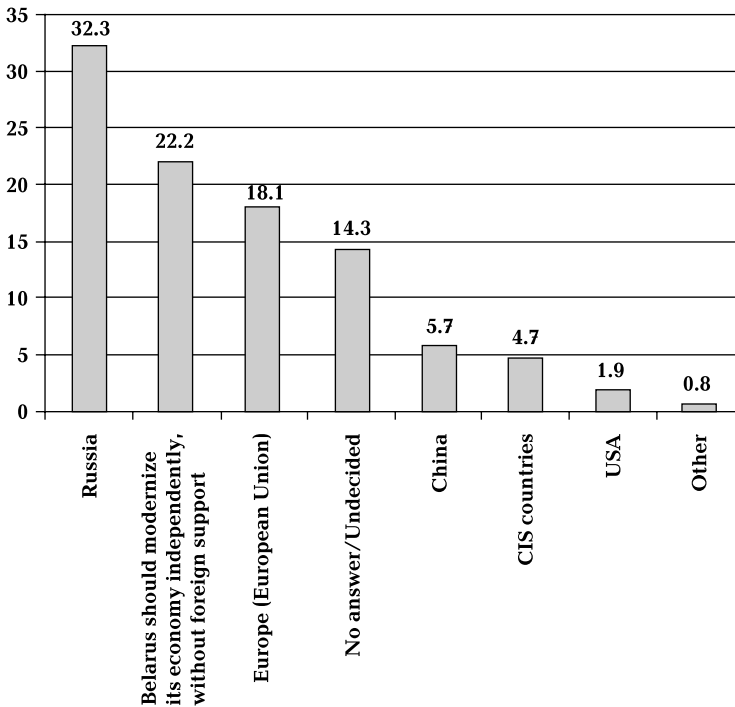
The influence of the mass media was an important factor shaping people's opinions. According to our observations, media reports constantly raised the topic of modernization in industry and agribusiness throughout the year. There was another reason why modernization became more relevant than before. In March 2012, the European Union inaugurated the European Dialogue

¹ *The Belarusian Analytical Workshop, based on a nationwide representative survey.*

on Modernisation with Belarus with a view to facilitating the modernization of Belarus with the European Union's financial support and consultations. The initiators of the project said that the "Dialogue on Modernisation will give Minsk a chance to introduce some long-overdue reforms."

Asked whose support Belarus should seek to modernize its assets, the respondents answered as follows: a) the majority believes that Belarus should rely on Russia's assistance and support (32.3%), b) 22.2% of the respondents said that Belarus should pursue modernization independently, and c) 18.1% said the country should seek help from the EU (Fig. 2).

Figure 2. Answers to the question "Where do you think Belarus should seek assistance and support to carry out large-scale modernization?", %²



² The Belarusian Analytical Workshop, based on a nationwide representative survey.

The respondents who believe that Belarus should modernize its economy with the help of the European Union (18.1%) give two reasons for their choice. The first one is that the EU has the most advanced technologies (49.8% of those who spoke in favor of the European choice); the second reason is that this support would help Belarus become a fully European state and tip the scale towards the West when Belarus sorts out development priorities (42.4%).

Attitude to capital punishment

One of the highest-profile cases of 2012 was the execution of Kanavalau and Kavalyou, who had been found responsible for the Minsk metro blast in 2011. The case drew the attention of the international community; many individuals and NGOs in Belarus and abroad condemned the verdict, while the official media reported that evil had been punished and justice had been served. The public response to the execution helped outline the general attitude to this issue (the question about people's attitude to capital punishment was asked in 2008, 2009 and 2011).

There have always been more opponents of the abolition of capital punishment in Belarus than there have been supporters. According to NOVAK, there were twice as many Belarusians speaking in favor of capital punishment than there were those who wanted it abolished in 2009. However, in 2011–2012, the shares of "opponents" and "proponents" were almost equal (the share of those against the abolition of capital punishment was slightly higher). The youngest respondents, aged 18–24, showed the highest proportion of those in favor of the abolition of capital punishment, at 56.3%. Older respondents (aged more than 45) are mostly in favor of preserving capital punishment.

The proportions of those for and against the abolition of capital punishment are equal among males, whereas among females, there are more opponents of the abolition (possibly due to the propensity to make simple and effective decisions and traditionally high level of trust in the state). There is no linear correlation between the level of education of respondents and their attitude to capital punishment, although those with higher

education stand out with a significantly higher share of those in favor of the abolition of capital punishment.

The group of those supporting a closer relationship between Belarus and the EU mostly includes advocates of the abolition of capital punishment.

Conclusion

In 2013, public social sentiment will likely stabilize at the level achieved in the second half of 2012, although it will largely depend on the economic situation in the country. The general trend outlined above applies to the year 2013 – expectations are more optimistic than they were in 2011; however, they are still below the level of “favorable” years (2005, 2006 and 2010) (Table 1).

Table 1. Answers to the question “What do you feel when you think about the upcoming year?”, %³

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Hope	44.9	56.6	66.2	64.2	56.3	43.9	58.8	65.7	44.2	58.9
Anxiety	24.1	19.5	13.7	15.8	21.1	29.4	21.3	15.1	23.9	16.0
Uncertainty	27.4	17.8	16.4	16.2	17.9	23.5	15.7	15.3	28.2	22.5
No answer/ Undecided	3.6	6.1	3.7	3.8	4.6	3.2	4.2	3.8	3.8	2.6

³ Based on annual representative surveys conducted by NOVAK Laboratory ahead of Christmas holidays.

ECONOMY

MACROECONOMIC SITUATION: BACK TO THE OLD ECONOMIC POLICY

Dzmitry Kruk

Summary

In 2012, the economic situation developed against the backdrop of high inflation expectations – the legacy of the crisis that hit the country back in 2011. Because of these expectations, the authorities chose the “stabilization growth” scenario in the first half of the year. During the first six months, the increase in production was driven by external demand, which was much needed to ensure macroeconomic balance. The positive shock – export of solvents and diluents, which generously contributed to GDP growth while setting the stage for the growth in internal demand – played an important role in keeping the economy balanced. However, the cessation of foreign supplies of solvents and diluents became a negative shock on two levels. *First*, the economic growth was directly affected. *Second*, the authorities had to modify their economic policy, changing to the “recovery growth” model. As a result, by the end of 2012, most of the price advantages in external competitiveness had been lost, and the country got back to its pre-crisis development trajectory. To avoid new challenges while using the old scenario, it is increasingly important to look for new sources of long-term growth and introduce structural reforms.

Trends:

- High and volatile inflation expectations as a key prerequisite for changes in economic policies throughout the year;
- Change in the growth mode from macro stabilization in the first half to the restoration of the income level in the second half;
- Positive shock brought about by export deliveries of solvents and diluents, which became key to the success of stabilization growth in the first half of the year;
- Loss of most of the price advantages that resulted from the currency devaluation of 2011;
- Return to the pre-crisis development trajectory, increasing importance of the search for new sources of long-term growth and need for structural reforms.

Introduction

There had been great expectations of the post-crisis year. *First*, given the frailty of the macroeconomic equilibrium achieved by

the start of the year (namely, a moderate inflation rate and unemployment that was close to the natural level), all economic agents were interested in having it stabilized.

Second, as macroeconomic stabilization tasks were accomplished in 2012, the year could also be perceived as an historic chance to build up a reserve for mid-term growth based on the price advantages brought about by the crisis of 2011.

Third, the need for new strategies and mechanisms of long-term growth became obvious. The currency crisis of 2011 revealed not so much the vulnerability of the Belarusian economy to short-term imbalances, as flaws in the institutional environment and structural disparities, which restrain the growth potential of the national economy.

Fourth, at the junction of the economic and social sectors, the year 2012 was regarded as a landmark in the evolution of the "social contract" that came to be in previous years – the question was whether the authorities would introduce major changes to the contract or attempt to revive it by pushing wages, boosting social transfers and imposing price caps. The economic policy aimed at a rapid increase in wages in real terms most frequently results in hikes in real unit labor costs, higher prices and stronger real exchange rate, which, for its part, leads to a loss of the advantages in price competitiveness, which were a natural result of the ruble devaluation in 2011.

Background for economic dynamics

The main obstacle to the stabilization policy of the state in 2012 was the high and volatile inflation expectation. The main reason was the fresh memory of the high inflation rate and ruble devaluation in 2011, which traditionally causes negative expectations to continue throughout future periods. Another reason for such expectations is the loss of the nominal "anchor" in the country's monetary policy – since they had to abandon the targeted exchange rate in 2011, the economic authorities were unable to offer a new "anchor" as a foundation for a new monetary strategy.

As a result, the policies pursued by the National Bank of Belarus (NBB) during most of the year were shaped by inflation

expectations, not the other way round. The NBB was able to influence those expectations only indirectly, seeking to cut the inflation rate in order to provide a positive trend for the expectations.

Because inflation expectations were uncontrolled in the framework of the selected macroeconomic mode, the monetary authorities had no effective instruments to improve the situation. *On the one hand*, high interest rates prevented growth in the real sector of the economy and limited exchange rate fluctuations, contributing to the strengthening of the ruble in real terms, whereas a more flexible rate is required alongside ruble depreciation in real terms (or at least prevention of its strengthening) in order to ensure an external equilibrium in the medium term.

On the other hand, a less stringent interest rate policy and reduction in rates escalated the threat of a new upsurge in inflation and necessitated a new ruble devaluation move. Therefore, the monetary authorities had to choose a lesser evil. This monetary dilemma stood behind the instability of the equilibrium in the financial market. Under the circumstances, the NBB sought a compromise between two poor options while cautiously lowering interest rates. The main consequences of such a policy were shortages of production and a growing foreign trade deficit.

"Stabilization" growth mode and related restraints

The loss of production resulting from a specific situation in the monetary sector manifested itself as a reduction in capital investments. Bank loans are traditionally one of the key sources of financing investments (in 2011, 33.9% of capital investments were financed from bank loans; preferential loans accounted for about half of the total financing).

Having made macroeconomic stabilization its main objective, the government had to limit the volumes of directed lending in 2012. Lending on market terms in the national currency is too heavy a burden for the domestic corporate borrowers, which is why loans were growing at a very slow rate (and decreased in real terms).

Investments from other significant sources of financing also went down (although not as markedly as bank loans), which

resulted in an overall decrease in capital accumulation by 9.8% year-on-year in 2012.

The second most important component of domestic demand – household consumption – was also somewhat depressed. In order to prevent imbalances in the future, it is essential for the post-crisis period to preserve the ratio between internal and external demand that was set as a result of the automatic correction (inflation and devaluation). In order to achieve this, external demand should be growing faster than internal demand, and the latter should be showing catch-up growth. Therefore, artificial income stimuli appeared to be rather dangerous, especially amid the vulnerable equilibrium in the financial market in the first half of 2012. Based on these considerations, economic policy measures should have been introduced to make household incomes directly proportional to external dynamics.

The prospects of the balance of external transactions did not look too bright at the start of the year. Because of the high degree of influence of the nominal exchange rate on prices, the real exchange rate at the beginning of 2012 was much higher (by 31.8%¹) than in August 2011 (the time when the real effective exchange rate reached its all-time low), while remaining 25% below the level recorded in December 2010 (the all-time high to date).

The deal with Russia envisaging supplies of natural gas to Belarus at a reduced rate of USD 167 per 1,000 cubic meters (about 35% lower than the price that Belarus paid in 2011) became an important positive contribution to Belarus' foreign trade pattern in 2012. The agreement produced a significant stabilization impact on the balance of trade (in nominal terms, the country saved approximately USD 1.9 bn owing to the price cut) and the situation in the credit and financial sector. However, this amount was not enough to restore the real sector and the level of household incomes; therefore, even the best-case scenarios contained very cautious growth expectations and forecasts.

¹ The indicator is calculated based on market nominal exchange rates amid the multiplicity of rates observed in 2011.

Positive "solvent" shock

Nevertheless, despite the substantial number of restraining factors, the results of the first six months proved quite positive – GDP grew by 2.7% year-on-year, mostly owing to positive external demand trends (net export). The main contributor to the growth in export was the new Belarusian "know-how", namely, the supplies of solvents and diluents, as well as better terms of trade in crude oil and oil products. In 2012, Russian crude oil suppliers stopped including a USD 45-47-per-ton premium in the crude price for Belarus; this resulted in a combined reduction of the cost of crude oil import by approximately USD 650 million.

These factors produced a massive favorable impact on the Belarusian economy in the first half of 2012. *First*, the production and export of these commodities directly influenced gross output – proceeds from export supplies in excess of import costs were interpreted as added value.

Second, the increase in export supplies of oil products, as well as solvents and diluents, generated additional demand for wholesale services, thus giving a boost to this segment. The changes in the real sector of economy brought about by these new factors can therefore be considered equivalent to a major one-off productivity gain.

Third, there was a positive impact of the "new" exports on the foreign trade balance and monetary environment – additional export revenues improved the situation in foreign trade, boosted foreign exchange supplies in the money market and allowed the monetary authorities to build up gold and foreign exchange reserves. The consequences of the positive "solvent" shock were crucial for the macroeconomic stabilization efforts. GDP started growing based on external demand, enabling the economic authorities to encourage internal demand so it caught up with the external dynamics without any major harm to external competitiveness, as real wages began to grow proportionally to the positive productivity shock, albeit a bit faster than they were supposed to. In the first six months of the year, wages went up by 6.9% year-on-year, reaching the pre-crisis level (December 2010 with seasonal adjustments) in April – May. However, because

this growth is commensurate to the productivity gain, real unit labor costs increased insignificantly.

Once restored to the pre-crisis level, household incomes created prerequisites for an increase in consumption. The only negative consequence of such a situation was the strengthening of the ruble in real terms. Amid additional inflows of foreign exchange revenues, the nominal exchange rate stabilized (and the economic authorities refrained from artificially weakening the national currency); however, the government proved unable to effectively limit the rise in prices.

As a result, at the start of the second half of 2012, the situation looked partially optimistic, as the recorded economic growth contributed to stabilization (i.e. no new threats to macroeconomic equilibrium were created) and prerequisites were created for household incomes and consumption to recover. However, the problem of inflation expectations remained unresolved; another concern was the strengthening of the ruble in real terms.

Switching the growth "mode"

The situation changed quite sharply at the beginning of the second half of the year, as export supplies of solvents and diluents had to be stopped. The cessation of profitable exports could be treated as a one-time shock for productivity, although this time the shock was negative. In that new framework, the country was unable to benefit from the potential of external demand any longer, as its "know-how" was exhausted and there was no chance for Belarus to keep on its foreign supplies of solvents and diluents, whereas other exports were growing at a slower pace because of the stronger ruble.

Therefore, the dilemma of the first half of 2013 – to grow without risks to macroeconomic stability building on external demand or accelerate economic growth through incentives to internal demand – transformed into the dilemma – to put up with a slump in production (with a view to facilitating mid-term growth and supporting macroeconomic stability) or provide additional stimuli to internal demand. The latter option was de facto chosen in the second half of the year.

The first attempt to encourage internal demand was to heat up the credit market in August and September — during these two months, banks' claims on the economy increased by almost the same amount as in the first six months of the year. The surge in the volume of loans (amid negative external trends and efforts to push up incomes) affected consumer prices and led to larger fluctuations of the nominal exchange rate. The response of the currency and deposit markets had a sobering effect on the economic authorities and prompted them to ease their direct pressure on the credit market.

Furthermore, price incentives to the credit market also stopped — the refinancing rate was not reduced in the final quarter of 2012, and the growth in the volume of loans slowed, restraining capital investments. In the fourth quarter, capital investments fell by 9.7% year-on-year, and in July-December, they decreased by 3.6%. Capital investments contributed minus 1.6 percentage points to GDP growth in the second half of the year and minus 4.1 points in 2012.

Policy towards a recovery of incomes. Loss of competitive price advantages

Another way for the economic authorities to encourage internal demand was through boosting personal incomes and household consumption. Amid unfavorable external processes in the second half of the year, boosting real wages building on productivity gains alone was impossible; however, the “recovery” potential of income growth remained quite high, because wages had fallen so significantly in the wake of the 2011 financial crisis that real unit labor costs dropped to a level markedly below the medium-term trend.

This meant that, based on fundamental conditions, there was a potential for boosting real wages well ahead of the required productivity gain. The political challenges, the intention to reduce outflows of workforce and human capital from the country (which became a phenomenon to reckon with in late 2011 and early 2012), as well as the need to avoid GDP losses (or slower growth) prompted the economic authorities to choose this option. The second half of the year was therefore marked by the policy towards a restoration of incomes.

In the third quarter, wages were pushed by 30.1% year-on-year, and in the fourth quarter, by 38.7%. As a result, real wages had exceeded the pre-crisis level as early as in the third quarter. However, in the second half of the year, wages were growing much faster than productivity, and unit labor costs rose from 40.3% in the second quarter to 48.1% and 52.3% in the third and fourth quarters, respectively (which compares to the average of 48.3% in 2006–2010).²

The price advantage of the Belarusian real economy – the small share of labor compensation in product costs – was thus lost within just six months. The contribution of higher wages to GDP turned out to be quite high. In the second half of the year, household consumption increased by 21.4% year-on-year, contributing an equivalent of 11.2 points to GDP growth. Owing to this component, the rapid growth in internal demand, too, contributed considerably to GDP expansion – internal demand went up by 11.7% in July-December, contributing 13.1 points to GDP growth.

Foreign trade deficit restored

Poor export prospects were manifested as early as the start of the second half of 2012; however, the increase in unit labor costs added to the factors affecting the price competitiveness of Belarusian exports. Furthermore, the real effective exchange rate had reached a very high level by July. Although the ruble exchange rate remained virtually unchanged throughout the second half of 2012 (the ruble depreciated against the euro and the Russian ruble and appreciated against the U.S. dollar), price competitiveness that used to be one of the advantages of Belarusian exports in late 2011 and early 2012, lost its power. Therefore, the growth in export supplies of most of the investment and consumer goods in volume terms slowed. Further, the situation in some of the traditional markets complicated because of unstable growth trends in the global economy. In some industries, reductions in external demand resulted in a buildup of inventories (which is why inventories of material floating assets

² The share of labor compensation in GDP is adjusted for seasonal factors.

contributed to GDP growth), causing erosion of floating capital and additional problems.

When it comes to export problems, we should mention the brief spat with Russia over Belarus' commitments to supply oil products to that country, which brought about a reduction in Russian crude import and lower export of refined oil in September and October. Difficulties in the potash market produced an impact on Belarus' potash supplies – in volume terms, foreign deliveries were below the target (and 22.2% below the level recorded in 2011).

For its part, import supplies of both investment and consumer goods were growing amid an increase in consumption and attempts to "heat up" investment demand. As a result, net export supplies ceased to be the locomotive of GDP that is used to be in the first half of the year and became a major factor to slow economic expansion, with contribution to GDP growth at minus 11.5 percentage points in the two final quarters of the year.

In the second half of the year, GDP grew by 0.5% year-on-year. It grew in the third quarter by 2.7%, but fell by 1.9% in the fourth quarter. Production went up by 1.5% in 2012; the July-December trends "outweighed" those observed in the first half of the year, and this growth in production was based on internal demand (which contributed 4.1 points), whereas net export supplies made a negative contribution (minus 1.8 points).³

Conclusion

When summing up the macroeconomic trends in 2012, we need to pay special attention to the fact that growth "modes" were essentially different in the first and second halves of the year. In January-June, "stabilization" growth prevailed, based on external demand, whereas in the second half of the year, the authorities turned to internal demand to pursue "recovery" growth.

The change in the growth modes in the second half of the year prevented complete macroeconomic stabilization. *First*, inflation expectations remained high and volatile in the aftermath of the 2011 crisis. *Second*, the incentives introduced in the second

³ Statistical discrepancies account for the remaining 0.8 of a point.

half of the year made these expectations even more volatile. *Third*, the serious changes and fluctuations in the economic policy make the situation even more uncertain. Therefore, "vulnerability of economic equilibrium" as a characteristic can be well applied to Belarus throughout 2012 up until the beginning of 2013.

The choice of the speedy recovery of incomes in the social sector as a macroeconomic scenario confirmed the commitment of the authorities to the recovery of the "old social contract." At the same time, this policy led to a loss of many of the price advantages gained as a result of the ruble devaluation. At the end of 2012, Belarus was at the 2010 level by many major indicators (ratio between internal and external demand, real unit labor costs, and real effective exchange rate). This return itself poses no threat to macroeconomic stability, because at the end of 2012, the foreign trade deficit and savings to investments ratio were out of the critical area (and much better than, say, at the turn of 2010).

Furthermore, the positive shock of the first half of the year contributed to the "airbag" of gold and foreign exchange reserves, access to foreign loans, etc. However, the situation indicates that the country missed the chance to redirect the growth mode in line with the "external demand grows faster, and internal demand catches up with it" model. The period of major price advantages in external competitiveness turned out to be very brief, and we cannot say that the country managed to win over new markets and strengthen its positions there.

Therefore, the revival of the old "social contract" resulted in the recovery of the previous economic scenario and previous growth model. However, in this case the gap between the desired economic growth and the one generated by the current economic model will be broadening. In order to deal with this inconsistency, new sources of growth are called for, because the chance to restructure the economy using price incentives was missed.

In 2012, no important structural reforms were introduced to form new sources of growth (the most important moves made during the period were the limitation on directed lending and some cosmetic changes in the lending mechanism). However, at

the end of the year, the authorities de facto realized that reforms are inevitable. Therefore, the government has announced modernization targets for 2013 and plans to create a "new highly productive sector." Belarus' long-term growth will directly depend on the success of these initiatives.

CURRENCY MARKET AND BANKING SYSTEM: EARLY RECOVERY OR SHORT-TERM BREAK?

Alexander Mukha

Summary

In 2012, the money authority pursued a cautious monetary and fiscal policy, thus ensuring the stability of the domestic money market. High interest rates encouraged both households and enterprises to have ruble-denominated deposits with banks.

Higher foreign exchange revenues contributed to an increase in foreign exchange supply by corporate entities. As a result, the exchange rate of the Belarusian ruble vis-a-vis the main foreign currencies changed smoothly and predictably. In the banking sector, assets and equity were on the rise, while return rates and capital adequacy indicators were falling.

Trends:

- Increase in currency revenues contributes to foreign exchange flows from households and enterprises into the banking system;
- Real effective exchange rate of the Belarusian ruble remains favorable for exporters despite ruble appreciation;
- Banking sector calls for additional capitalization amid a growth in distressed assets.

Money market

In 2012, the Belarusian money market remained stable and predictable. The Belarusian ruble depreciated by 2.6% to the U.S. dollar, by 5% to the euro and by 8% to the Russian ruble.

According to the National Bank, in 2012, purchases of foreign exchange by individuals were USD 684.5 million in excess of sales, including cashless transactions. However, Belarusian economic entities sold USD 1.632 bn in foreign exchange more than they purchased. For their part, net purchases of foreign exchange by non-residents (banks and companies) last year amounted to USD 1.875 bn.

The increase in non-residents' demand for foreign exchange is attributed to the closure of the swap deal between the National Bank of Belarus and the People's Bank of China (the central banks repaid each other equivalents of USD 930.7 million).

Exclusively of that deal, non-residents' net demand for foreign exchange amounted to USD 944.3 million. Non-residents mostly acquired foreign exchange from the National Bank in the framework of the scheme to distribute customs duties in the Customs Union.

In 2012, payments continued under previous contracts for exchange of deposits between the central bank and commercial banks. The NBB paid USD 1.258 bn in its liabilities to commercial banks, whereas banks paid the central bank a ruble equivalent of their foreign exchange liabilities, about BYR 9.784 trillion. The resulting reduction in the volume of deposit exchange contributed to an increase in foreign exchange supply in the domestic market and simultaneous withdrawal of Belarusian rubles from circulation.

Furthermore, the banking system saw a major inflow of foreign exchange from households and corporate entities. In 2012, individual foreign exchange deposits rose by 49% (or by USD 2.065 bn) to a new all-time high of USD 6.277 bn as of January 1, 2013. High exchange rates amid lower inflation and devaluation expectations encouraged the Belarusians to save not only in foreign currency, but also in rubles. Last year, individual ruble deposits increased by 75.2% year-on-year, or by BYR 10.424 trillion, to reach BYR 24.278 trillion as of January 1, 2013. Also in 2012, foreign exchange deposits of corporate entities and individual entrepreneurs with domestic banks rose by 17.4%, or by USD 595.5 million), to USD 4.019 bn, and ruble-denominated deposits went up by 45.7%, or by BYR 9.417 trillion, to BYR 30.017 trillion as of January 1, 2013.

According to the NBB, in 2012, foreign exchange proceeds from exports of commodities and services, incomes and transfers of Belarusian business entities (including individuals) rose by USD 3.947 bn year-on-year (by 8.5%) to a new record high of USD 50.636 bn. In 2012, export proceeds were USD 3.218 bn above payments for imports of commodities, services, incomes and transfers.

Also in 2012, Belarus paid USD 3.847 bn worth of oil product export duties to the Russian budget. The country's foreign trade swings from a surplus to a deficit of USD 628.4 million if we factor in this payment. In the structure of foreign exchange

revenues (currency proceeds from commodity and service flows, incomes and transfers) the share of the Russian ruble went up to 32% in 2012 from 30.2% in 2011, the share of the U.S. dollar went up to 38% from 27.7%, the share of the euro fell to 28.7% from 35.4%, the share of the Belarusian ruble dropped to 0.8% from 1.8%, and the share of other currencies decreased to 0.6% from 4.8%.

The current dynamics of the real effective exchange rate of the Belarusian ruble *vis-a-vis* the basket of currencies of the major trade partners suggests that a sharp one-step devaluation of the national currency in nominal terms would be inadvisable. The current real effective exchange rate is still favorable for Belarusian exporters. According to our estimates, the exchange rate of the Belarusian ruble in real terms will remain quite stable throughout the year 2013. However, in order to reduce devaluation expectations and the demand for foreign exchange, the Belarusian authorities will have to keep to a more restrained wage policy in the public sector, including by way of reducing the number of civil servants, by approximately 20%.

Banking sector

Loans to the national economy soared in 2012. The economy borrowed in excess of the targets adopted in the 2012 Basic Monetary Guidelines, which stipulated an increase in lending volumes by 17–23% year-on-year.

According to the National Bank, borrowers owed banks BYR 208.35 trillion, an equivalent of USD 24.312 bn, under loan agreements and in the framework of other active transactions, which is a new all-time high. The debt increased by BYR 55.851 trillion, or by 36.6%, in 2012 alone. Of the total amount, the debt denominated in Belarusian rubles increased by BYR 20.253 trillion, or by 22.3%, to BYR 111.257 trillion, and the foreign exchange-denominated debt went up by USD 3.965 bn, or by 53.8%, to a new all-time high of USD 11.329 bn as of January 1, 2013.

Therefore, amid high interest rates on ruble-denominated loans and stable exchange rate of the Belarusian ruble, companies and organizations have boosted their demand for foreign exchange loans. In order to prevent further dollarization of assets

in the banking system and reduce the demand for foreign exchange, the National Bank imposed temporary restrictions on corporate loans in foreign exchange to finance activities other than import of commodities and services.

However, a logical question would be: will Belarusian companies be able to meet their financial commitments while paying improbably high interest rates? In December 2012, the average full interest rate on new ruble-denominated loans to corporate entities reached 37.7%, which compares to the 7.6% average rate on foreign exchange loans.

The quality of the loan portfolio is currently at an acceptable level. In 2012, troubled loans of customers and banks under loan agreements and other active banking transactions (including extended and overdue loans) increased by 46.7% to BYR 1.145 trillion as of January 1, 2013. As a result, the share of troubled loans in the total amount of loan debts increased to 0.47% from 0.39%. As for troubled assets of commercial banks, they increased by 70.5% in 2012 to a new all-time high of BYR 11.973 trillion. The share of troubled assets in the total volume of assets exposed to credit risk increased to 5.5% in early 2013 from 4.16% at the start of 2012.

In the meantime, commercial banks failed to create sufficient provisions for unrecoverable loans, managing to accumulate only BYR 8.533 trillion, or 71.3% of the total amount of troubled assets. To meet the target, banks would have had to channel BYR 3.44 trillion of their profits to provisions, whereas total profits of the banking system for 2012 amounted to BYR 5.394 trillion. In other words, if banks had met their commitments, they would have been left with only BYR 1.954 trillion in profits. As a result, the banking sector requires additional capitalization, because otherwise it will see lower profitability, liquidity and capital adequacy rates.

Return on equity decreased to 12.74% in 2012 from 14.87% in 2011, while return on assets rose to 1.82% from 1.65%. In 2012, bank assets increased by 24.9% to a new all-time high of BYR 331.193 trillion, and combined equity of Belarusian commercial banks rose by 20% to BYR 44.905 trillion. As a result, capital adequacy decreased to 20.81% as of January 1, 2013 from 24.7% in early 2012.

Table 1. External debt liabilities and external debt claims of Belarusian banks, by principal debt and countries, as of October 1, 2012, million U. S. dollars

Country	External debt			Foreign assets in the form of debt instruments		
	total	12+ months	up to 12 months	total	12+ months	up to 12 months
	Total	5,240.5	3,687.8	1,552.7	2,376.4	107.6
Russia	2,057.9	1,133.3	924.6	359.2	9.2	350.0
Germany	1,312.2	1,079.4	232.9	832.9	0.1	832.7
Iran	283.4	242.9	40.5	16.5	0.1	16.4
Austria	223.7	186.4	37.3	124.9	0.0	124.9
Netherlands	156.8	155.5	1.3	92.8	88.8	4.1
Switzerland	138.8	133.5	5.3	20.2	0.0	20.2
Italy	124.0	107.3	16.7	2.3	0.0	2.3
Poland	121.4	114.2	7.3	7.8	0.0	7.7
Czech Republic	104.1	93.3	10.8	0.1	0.0	0.1
UK	103.3	60.6	42.6	11.0	0.1	10.9
Latvia	60.3	52.0	8.3	10.7	0.0	10.7
Lebanon	60.0	22.1	37.9	0.0	0.0	0.0
Luxembourg	42.8	42.7	0.1	0.0	0.0	0.0
Cyprus	39.8	18.5	21.3	0.0	0.0	0.0
US	33.8	10.4	23.4	730.4	0.0	730.4
China	29.1	9.9	19.2	0.2	0.0	0.2
Denmark	28.3	27.3	1.1	0.1	0.0	0.1
Lithuania	28.0	5.5	22.6	3.0	0.0	2.9
Kazakhstan	25.9	13.7	12.2	0.7	0.0	0.7

France	22.8	21.1	1.7	0.1	0.0	0.1
Slovakia	15.6	13.4	2.2	0.5	0.0	0.5
Libya	11.9	2.2	9.7	0.0	0.0	0.0
Taiwan	10.1	8.1	2.0	0.0	0.0	0.0
Ukraine	9.7	3.0	6.7	18.1	2.1	16.0
Slovenia	6.6	6.4	0.2	0.0	0.0	0.0
Spain	4.0	3.8	0.2	0.5	0.0	0.5
Sweden	3.0	2.6	0.3	0.2	0.0	0.2
International organizations	71.9	55.4	16.6	0.0	0.0	0.0
Other countries	111.1	63.4	47.7	144.1	7.0	137.0

Note. The countries are ranked by the external debt of Belarusian banks, highest to lowest.

Source: Author's methodology based on the data of the National Bank of Belarus.

The share of foreign capital in the registered capital of Belarusian banks rose to 19.61% in early 2013 from 14.54% at the start of 2012. The current quota on the participation of foreign capital in the Belarusian banking system is set at 50%. In 2012, non-residents' funds in the liabilities of Belarusian banks increased by 2.2% to USD 6.117 bn; however, the share of non-residents in liabilities of the banking system fell to 16.3% on January 1, 2013 from 19.3% at the start of 2012.

Belarus has 32 commercial banks; there are only four banks with 100% Belarusian capital (Belagroprombank, Belarusbank, Belinvestbank and Paritetbank). See Table 1 below for the list of countries that invest in the Belarusian banking system and operate subsidiary banks in Belarus.

As of October 1, 2012, the main foreign creditors of Belarus were Russia with USD 2,056 million, or 39.3% of the total debt to non-residents, Germany with USD 1,312 million (25%), Iran with USD 283.4 million (5.4%), Austria with USD 223.7 million (4.3%), the Netherlands with USD 156.8 million (3%), Switzerland with USD 138.8 million (2.6%), Italy with USD 124 million (2.4%), Poland with USD 121.4 million (2.3%), the Czech Republic with USD 104.1 million (2%) and the UK with USD 103.3 million (2%).

Conclusion

We believe that given the recently introduced restrictions on lending to corporate entities in foreign exchange, banks will have to sell currency in order to meet the requirement for ruble-denominated loans of companies and households. This will boost the supply of foreign exchange in the domestic market and will facilitate de-dollarization of active transactions in the banking sector.

The lower inflation rate amid increase in the share of ruble instruments in the assets and liabilities of commercial banks will enable the central bank to gradually reduce the refinancing rate and reserve requirements in 2013. Overall, it is likely that all interest rates in the country's financial market will go down in 2013.

LABOR MARKET AND SOCIAL POLICY: PEAK OF POLITICAL BUSINESS CYCLE AND "MODERNIZATION"

Kiryl Haiduk

Summary

In 2012, the Belarusian economy saw a peak of the political business cycle, which is why household incomes increased in real terms. Nevertheless, higher incomes were not enough to encourage labor migrants to return home. In the near future, labor migration alongside the decrease in the working age population will increase the pressure on the single-tier pension system of the country.

Trends:

- Ongoing decrease in the working age population;
- Increase in temporary labor migration, outflow of labor resources;
- Reduction in the number of public sector employees and increase in the number of workers engaged in the private sector;
- Sharp increase in real wages and incomes;
- Increase in child allowances;
- Increase in the number of divorces.

Demography

In 2012, the decrease in population slowed because of the growing birth rate and a reduction in the death rate. According to *Belstat*, as of January 1, 2013, the Belarusian population was at 9,463,300 people, which is 1,900 less than on January 1, 2012. Although the number of residents in Belarusian regions decreased in 2012, the city of Minsk saw an increase in population by almost 16,000. Over the last five years, the population of the capital city increased by almost 90,000 people. Birth and death rates were at 12.2 and 13.3 per thousand, respectively, which compares to 11.5 and 14.3 in 2011, respectively, and natural population decline fell to 11,100 people from 25,735 in 2011. In 2012, 115,000 babies were born, up by 5.2% from 2011. Of the total number, 65% are first born children. Infant mortality remains low, at 3.9 per thousand.

At the same time, the working age population keeps decreasing. In 2012 alone, the figure fell by 86,400 people, up

from only 19,000 people in 2011. The trend will be very hard to reverse in the near future. It is expected that between 2011 and 2012, the working population may decline by up to 1.5 million people. The share of the working population will keep decreasing as the share of the population older than the working age grows.¹ Experts warn that the ratio of the working population to non-workers may reach 37 to 63 in years to come (currently, the ratio is 48 to 52, respectively).²

One of the recent trends is the growing number of divorces. In 2012, there were 875 divorces per 1,000 marriages, which compares with only 670 in 2011. Belarus is second only to Russia in Europe by the number of divorces.

Although Belarus officially has a migration surplus, net inflow of migrants is falling. In 2012, the figure reached 9,300 people, which compares to 9,900 people in 2011 and 10,300 people in 2010. At the same time, experts note that unregistered migration flows are ten times above officially reported figures, and it is mostly labor migration from Belarus that is not accounted for. Both skilled and unskilled personnel prefer looking for jobs in neighboring countries, the main reason being the difference in wages (Russian wages are on average 40–50% higher). Since 2011, labor migration to Russia has reached a whole new level because of the reduction in real wages in Belarus. Both blue-collar workers and highly qualified personnel – managers and engineers, as well as medical workers – seek employment in Russia. Outflows of labor resources result in additional pressure on the social security fund, which pays pensions. According to labor market experts, in 2011 alone, 150,000 Belarusians left for Russia. Even if migrants start returning to Belarus, the economy will be unable to provide jobs for all.³

The authorities seem quite concerned over labor migration tendencies. Economy Minister Mikalai Snapkou has admitted that the problem of workforce outflows was rather serious. It is believed that the problem will be resolved as soon as monthly

¹ http://naviny.by/rubrics/society/2013/02/14/ic_articles_116_180844/

² <http://www.camarade.biz/node/1732>

³ <http://news.tut.by/economics/302259.html>

wages in Belarus reach at least 80% of the Russian level, or about USD 650.⁴

Employment and unemployment

In 2012, the number of newly employed personnel was below the number of those who lost their jobs in almost all sectors of the economy. Overall, the employment level in the economy fell by 1.8% to 4,599,600 people. The sectors that "suffered" the most from dismissals are the processing industry and agriculture and forestry with 169,300 workers and 104,940 workers made redundant in 2012. In 2012, the ratio between newly employed and dismissed workers reached 95.2 to 100 (it was 92.8 to 100 in 2011).

Belstat notes a decrease in the number of jobholders in the public sector amid an increase in the number of workers engaged in the private sector. Although official statistics categorizes employees of joint-stock companies with a state shareholding as workers of the "private" sector, these data show that in the period between 2000 and 2012, the number of workers in the public sector was decreasing by 2.5% on average every year, whereas in the "private" sector, it was growing by 2.3% on average annually. In 2012, the share of workers engaged in the public sector decreased to 42.1% (from 43.4% in 2011), while in the "private" sector, it rose to 55.6% (from 54.5% in 2011).

The official unemployment level remained low. On January 1, 2013, there were only 24,900 officially registered unemployed Belarusians in the country, which compares to 28,200 people in early 2012. The unemployment rate therefore reached an all-time low of 0.5% of the workforce, down from 0.6% at the start of 2012.⁵

In 2012, 179,600 people were given an official unemployed status, down by 4.7% compared with 2011. The number of applications for assistance in employment also fell, by 7.3% to 290,300, and the number of people in need of employment decreased by 8.1% to 336,200.

⁴ <http://finance.tut.by/news283818.html>

⁵ http://www.belta.by/ru/all_news/society/V-Belarusi-dostignut-istoricheskij-minimum-bezrobotitsy—05_i_620604.html

In the meantime, the demand for workforce increased: on January 1, 2013, there were 62,000 vacancies (up by 19.9% at the beginning of 2012). The labor market still needs more blue-collar workers than any other category of workers (77.7% of the total number of vacancies).

Belstat conducts quarterly surveys of households, which provide a more realistic picture of the situation in the Belarusian labor market. The data for 2012 have not been published yet, however, experts insist that the unemployment rate may be as high as 5–6% in the country.

As for the private sector, recruiting agencies reported a 14% increase in the number of openings, and in Minsk, the number of vacancies soared by 150% from June 2011 to February 2012. *Zdes i seichas* consulting agency said with reference to a 2012 survey that employers mostly demand IT specialists and sales managers with work experience, whereas legal experts, economists and HR specialists remain unwanted.⁶

Private companies complain about the “quality of personnel,” a problem that stems from the outdated education system. Pensioners account for 33.5% of school and university teachers. Excessive numbers of some types of specialists are attributed to the specific nature of the Belarusian economic model. *Alutech* group of companies conducted an independent labor market research and reported that Belarus has 350,000 accountants for 4.5 million workers, while China has 460,000 accountants for 600 million workers.⁷ This phenomenon is due to specific business regulations in Belarus.

For its part, in its country economic memorandum for Belarus the World Bank notes the need to foster the reallocation of labor from less productive to more productive sectors and firms. It is also maintained that excess labor in the economy may amount to as high as 10% of the total number of the employed.⁸

⁶ http://management.bel.biz/articles/ryinok_truda_kadrovyy_golod_ne_za_gorami/

⁷ <http://www.obrazovanie.by/2012/2012-02-20.html>

⁸ <http://documents.vsemirnyjbank.org/curated/ru/2012/04/16473080/belarus-country-economic-memorandum-economic-transformation-growth>

In August 2012, the Economy Ministry issued a report saying that more than 200,000 "highly productive" jobs needed to be created in the next few years (about 5% of the workforce), including 56,000 jobs in 2013. It is planned that these new jobs will "additionally generate from 2% to 3% of GDP."⁹

When it comes to the motivation of personnel, in September 2012, *HeadHunter rabota.tut.by* reported the results of its survey focusing on this issue. Of the total number of the respondents, 27% said that the loyalty to their employer depended on the level of compensation, and 20% said it was important for them whether wages were all officially accounted for or partially paid as cash in envelopes. As for the choice between various jobs with various wages, the respondents said that they would agree to have smaller wages if there was a chance of promotion (22%), if the administration encourages their initiative (20%) and if a special "social package" was included in the contract, covering gym fees, medical insurance, transport fares and warm meals (19%).¹⁰

An important regulatory act adopted at the end of 2012 was Decree No.9 signed on December 7, 2012, which instructed woodworking enterprises to sign new work contracts with their workers with a provision that contracts can be terminated only if the move is initiated by the employer during a period of modernization and implementation of investment projects. Independent trade unions that are not members of the Federation of Trade Unions of Belarus called the Decree a copy of the "Stalin decree of 1940"¹¹ and called for abolishing the norm.¹²

Wages

In 2012, real wages were changing depending on the phase of the political business cycle, as economic authorities were making efforts to boost individual incomes in real terms. Back in 2009,

⁹ http://www.belta.by/ru/all_news/economics/V-Belarusi-za-3-goda-neobxodimo-sozdat-200-tys-vysokoproizvoditelyx-rabochix-mest—Snopkov_i_605679.html

¹⁰ http://naviny.by/rubrics/sport/2012/09/12/ic_news_116_401289/print/

¹¹ http://gazetaby.com/cont/art.php?sn_nid=52178

¹² <http://govorim.by/novosti-belarusi/83030-9.html>

the government voiced its plans to increase the average monthly wage to USD 500. In September 2012, Prime Minister Mikhail Myasnikovich said that the USD 500 target would be achieved at the end of the year, and in one year's time, i.e. in late 2013, wages would average USD 600 for the economy as a whole and USD 500 for the budget sector.¹³ Indeed, in December 2012, the average monthly wage was reported at USD 552, a major increase from USD 343 in January 2012. This sharp increase in wages made Belarus the CIS's *third* economy by the level of wages (after Russia with USD 1,134 and Kazakhstan with USD 670) and *first* economy by the wage growth rate (almost 22% for the economy and 17.3% for the budget sector).

Inter-industry wage differentials increased to 310% from 220% in 2012 (IT is the most highly-paid sector with an average wage of BYR 9,963,300, and welfare is the lowest-paid sector with only BYR 2,457,400). Regional wage differentials remained unchanged, at 50% (Minsk is the country's leader with BYR 4,792,800, and Brest Region pays lowest wages, BYR 3,257,500 on average).

In 2012, the country introduced regulatory acts in order to alter the mechanism regulating payments of compensations to employees of commercial organizations. Specifically, such organizations are now entitled to make use of various compensation schemes, including combinations of the unified wage tariff system and flexible wage payment system. According to the Ministry of Labor and Welfare, the number of commercial organizations switching to flexible wages increased 8 times in January-October 2012, from 288, or 7% of the total number, on January 1, to 2,361, or 57.7% of the total number, on November 1, 2012.

The sharp increase in real wages resulted in a larger gap between the real wage and labor productivity, which reached about 10%. In order to narrow the gap, the government planned a wage increase of only 7.1% in real terms in 2013, whereas the productivity gain is expected at 9.3%. It is planned that the average monthly wage in the economy will reach USD 519 (based on an exchange rate of BYR 8,950 to the U.S. dollar). These

¹³ http://naviny.by/rubrics/economic/2012/09/14/ic_news_113_401443

parameters are calculated based on the planned 8.5% GDP growth rate. However, the forecast by the IPM Research Center indicates that the unfavorable external environment may turn domestic demand into the main growth driver. Since excessive growth stimuli may result in financial shocks, the government may resort to reasonable restrictions. In this case, real wages may rise by only 3.3% in 2013.¹⁴

Pension system

In 2012, the number of pensioners increased by 25,400 people, mostly because of the increase in the number of retirement pensioners. There were 2,512,200 pensioners in Belarus on January 1, 2013, of them 81% of retirement pensioners, 10.6% of recipients of disability pensions, 4.5% – pensions for the loss of a breadwinner, 2.2% recipients of social pensions and 1.3% of recipients of long service pensions.

The increase in real wages became a major factor contributing to the increase in pensions in real terms. Under the applicable legislation, an increase in the average nominal wage by 15% automatically triggers a recalculation of labor pensions. In 2012, the average monthly retirement pension increased by 64.6%, much more than the originally planned 4.7–4.9%. The ratio between the average pension and wage reached 40%. Furthermore, the government introduced monthly targeted extra payments for non-working pensioners aged 75 and more (75% for those aged from 75 to 80 and 100% for those aged 80 and more). Starting October 1, 2012, "bonuses" for long service beyond the retirement age without receiving pensions were boosted.

According to a forecast by the Ministry of Labor and Welfare, there will be 60 pensioners per 100 workers in Belarus in 2015 and up to 67 by 2020, an increase from 57 in 2012. Despite the unfavorable demographic trends, modifications in the pension system do not envision a change to a two-tier system, but mostly include arrangements to encourage a later retirement.

¹⁴ <http://www.research.by/webroot/delivery/files/BMF2012r02.pdf>

Poverty and the social protection system

According to *Household Budget Surveys*, in 2012, the poverty level, calculated as the share of the population earning less than the minimum subsistence budget (MSB), amounted to 6.3% (down from 7.3% in 2011). The poverty level was below the average rate in the city of Minsk and Minsk and Hrodna Regions.

The currency crisis of 2011 and inflation hikes that followed did not have a major impact on the structure of household spending. The share of expenditures on food and alcohol increased to 45.6% from 43.5%, while spending on non-foods fell to 37.7% from 38.2%. The comparative rankings of the share of household expenditures on food, alcohol and cigarettes prepared by *The Economist* places Belarus second in the world after Cameroon.¹⁵ However, the level of spending on food per capita on a weekly basis, at USD 26, puts Belarus close to Hungary (USD 25) and South Korea (USD 29).

When it comes to legislative changes, an important improvement introduced in 2012 was the law *On state allowances for families with children* (which came into effect on January 1, 2013). The document increases child-care allowances – to 35% of the average wage for a first child, 40% for second and subsequent children and 45% for a disabled child under three years old).

Starting January 1, 2012, allowances for disabled children were raised to 100% of the MSB from 65%, and for children older than three to 50% of MSB from 30%. Overall, in 2012, the average monthly allowance for children under three years of age doubled, and for children older than three rose 3.3 times to BYR 768,000 and BYR 384,000, respectively (BYR 880,000 and BYR 440,000 in December 2012).

In 2012, state targeted social support was provided to 218,900 people, up by 7% compared with 2011). The average amount of state support increased by 110% to BYR 185,000 per recipient, while the lump-sum allowance went up by 160% to BYR 484,400. State expenditures on targeted state support increased by 150%. The main recipients of state support are families with many

¹⁵ <http://www.economist.com/blogs/graphicdetail/2013/03/daily-chart-5>

children and incomplete families with minor children (83.2% of the recipients), as well as lonely pensioners and the disabled (10.2%). On April 1, 2012, the system of allowances was expanded, as food rations for children under two were included, while lower-income households became entitled to both social allowances and food provision (10,000 families benefitted from the new rule).

Furthermore, starting April 1, 2012, lower-income families became entitled to a few types of state targeted support at once. This opportunity was used by 24,400 people (8.7% of recipients of social assistance). Families with many children also received additional support as repayment of concessional home loans. Also, all children younger than three years of age are entitled to free medications (from the approved list of basic medications).

In 2012, the number of disabled people increased by 2.8% (by 14,400) to 522,900 (of them 76,500 category I disabled, 275,200 category II disabled and 145,100 category III disabled). Disabled people account for 5.5% of the total population of Belarus.

The number of lonely old people has been increasing lately. In 2012, they accounted for 6.6% of the total number of elderly people (123,600), of them about 20% require permanent care.

Finally, on January 1, 2013, the law *On social services* came into effect, introducing the possibility for privately-owned organizations to participate in the system of social services, but only in localities with no state-run organizations to provide such services.

Conclusion

In 2012, the Belarusian economy reached a new peak in the political business cycle, and the economic authorities were trying to boost individual incomes by reaching the USD 500 average monthly wage target. As a result, monthly wages and especially monthly pensions soared in real terms. Apparently, the broadening gap between the increase in real wages and productivity, as well as macroeconomic risks of encouraging internal demand will prompt the economic authorities to restrain further wage increases in 2013. Furthermore, in 2012, additional measures were introduced to provide social support to vulnerable population groups, especially families with many children.

At the same time, the increase in real wages did not encourage labor migrants to come back to Belarus. Migration and deterioration of the demographic situation increase the burden on the pension system; however, the authorities have been postponing pension reforms and instead offer bonuses for those working past retirement age.

ENERGY SECTOR: THE HEYDAY BEFORE THE SALE

Tatsiana Manionak

Summary

The beneficial terms of the four-year oil deals with Russia signed at the end of 2011 failed to become a guarantee of a serene relationship between the two countries in 2012. The year will be remembered as the heyday of the “solvent and diluent” business, which enabled Belarus to shore up its gold and foreign exchange reserves and achieve acceptable foreign trade figures at the end of the year, while underpaying the Russian budget an estimated USD 1.5–2 bn. Although Moscow never expressed a word of complaint, there was some bad “aftertaste,” which resulted in a marked reduction in crude oil supplies from Russia in the fourth quarter of 2012 and problems with the signing of the 2013 oil supplies balance.

Despite the considerable reduction in Russian natural gas prices for Belarus, energy rates for Belarusian producers were above those in Europe, which is why *Belneftekhim* concern admitted that it was too risky to launch large-scale investment projects while electricity fees remain that high.

Trends:

- Total dependence on Russia in the supplies of fuel and energy;
- Increased dependence of Belarus' GDP and export revenues on the export of oil products and quasi-oil products;
- Pegging crude oil import supplies to export deliveries of oil products back to Russia;
- Additional complications with payments for thermal power and electricity by Belarusian consumers despite preferential natural gas rates;
- Timid attempts by the Belarusian authorities to bring down cross-subsidies in the energy sector.

Oil: the heyday of the “solvent” business

Belarus and Russia agreed new terms of Russian crude oil deliveries to Belarus for 2012 – 2015 two weeks prior to the official kickoff of the Common Economic Area (CEA) on December 15, 2011. The document stipulates a new oil price formula for Belarus in line with the *Agreement on the organization, management, operation and development of the common oil and oil product*

market of Belarus, Kazakhstan and Russia,¹ signed as part of the package of accords to establish the CEA. The agreement has it that the three countries will not apply quantitative limitations and export customs duties, as well as equivalent duties, taxes and dues in mutual trade.

In accordance with the protocol to the agreement, the subsidiaries of *Gazpromneft, Lukoil, Rosneft*, OJSC *Surgutneftegaz* and TNK-BP are entitled to process up to 50% of their oil supplies to Belarus at the Belarusian oil refineries every month depending on the transportation schedule. For its part, Belarus guarantees that Russian oil traders will be free to sell the oil products refined from their crude supplies at the filling stations that they own and operate in Belarus.

The Energy Ministry and Economic Development Ministry of the Russian Federation and the Economy Ministry of the Republic of Belarus on December 15, 2011 agreed the balance of crude oil and oil products of the Union State of Belarus and Russia for 2012. The oil balance guaranteed that the Belarusian oil refineries would be using 100% of their capacities and envisaged supplies of 21.5 million tons of crude to Belarus by pipeline transport, an increase by 3.5 million tons from 2011, and 2 million tons annually by rail (when necessary). Back in 2011, Russia delivered oil to Belarus subject to a USD 45–47 premium per ton (to *netback* Rotterdam), whereas in 2012, Russia not only cancelled the premium, but also cut the crude price by USD 30 per ton.

The results of the oil and gas talks with Russia were positive enough for Lukashenko to estimate the combined effect of the preferences for the Belarusian economy at USD 4 bn. The Belarusian oil sector reached all-time highs in 2012 owing to the concessional deliveries of crude oil and natural gas. The favorable situation in external markets also helped, including in Ukraine, which is logistically the most lucrative destination for Belarusian oil products. However, it was the "solvent and diluent" business, which resulted in most of the benefits for the Belarusian oil sector.

¹ Russian Federal Antimonopoly Service. Retrieved from http://fas.gov.ru/international-partnership/common-economic-space/documents/documents_30785.html

In 2012, *Belneftekhim* recorded the largest foreign trade surplus ever, at USD 5.3 bn (the figure was at USD 1.9 bn in 2010). Belarus also increased oil products export to 17.454 million tons (up from 15.742 million tons in 2011); in value terms export supplies of Belarusian fuel rose from USD 12.732 bn in 2011 to USD 14.533 bn in 2012. Belarus paid USD 3.85 bn in export duties to the Russian budget in 2012 (USD 3.07 bn in 2011).

Furthermore, there were some gaps in the CEA laws that enabled Belarus to increase the share of dubious exports – in 2012, Belarus trebled foreign supplies of lubricants year-on-year in value terms from USD 334.5 million in 2011 to USD 1.029 bn in 2012). In volume terms, export supplies reached 1.639 million tons. In 2012, the export of solvents and compound diluents amounted to 3.252 million tons worth USD 2.781 bn (supplies totaled 2.078 million tons in 2011, worth USD 1.571 bn).

The year 2012 turned out to be very successful for the Belarusian oil refineries as well. The Mazyr-based refinery processed 11.09 million tons of crude oil, a new record high since 1994. The refinery processed more raw materials (including the diesel fuel delivered by rail for recycling) than originally planned. *Naftan*, the other oil refinery, based in Navapolack, also reported excellent performance indicators.

In 2012, the situation in foreign markets for oil products was quite favorable for Belarusian producers. Although European markets were less attractive than they used to be before the crisis, fuel prices remained high. Ukraine remained the most attractive market for Belarus. According to the State Customs Service of Ukraine, in 2012, that country imported USD 3.726 bn worth of oil products from Belarus, almost half of all imports of oil products to Ukraine in 2012, at 7.615 million tons worth USD 7.607 bn. Belarus accounted for 60% of Ukraine's diesel fuel imports, according to market experts. Belarus also accounts for up to 30% of Ukraine's gasoline imports, and this share keeps growing.

In 2012, the energy balance between Belarus and Russia for the first time included supplies of 5.8 million tons of high-quality Belarusian-made oil products to the Russian market. Belarus supplied only 2% of the agreed amount, which dissatisfied the Russian Energy Ministry and resulted in a major reduction in crude deliveries to Belarus in the fourth quarter of 2012.

Belarus had guaranteed Ukraine to transit 4 million tons of oil annually using its pipeline transport in 2011 – 2012 as part of its contracts with Azerbaijan to swap Venezuelan crude oil supplies. However, a bit more than 1 million tons of oil were delivered to JSC *Mozyr Oil Refinery* via Ukraine in 2011, instead of 4 million tons, whereas in 2012, not a single ton of alternative oil from Azerbaijan was transported to Belarus via Ukraine. In 2012, Belarus imported 330,000 tons of Venezuelan oil via the Estonian seaport of Muuga. According to First Deputy Prime Minister Uladzimir Siamashka, "the supplies of crude oil from Venezuela became the support that a brotherly nation provided for Belarus in time of need," and if it were not for those supplies, "there would have been no agreements on the common oil and oil product market with Russia and Kazakhstan signed in 2011."²

In 2012, the export of Belarus' own crude oil decreased both in volume and value terms, as sales amounted to 1.645 million tons, down from 1.675 million tons in 2011. In value terms, foreign supplies of crude oil produced in Belarus reached USD 1.288 bn, down from USD 1.319 bn in 2011). In 2012, Belarus produced 1.66 million tons of oil, which compares to 1.681 million tons in 2011). Motor fuel prices went up four times in Belarus in 2012, whereas in 2011, there were 11 price increases.

Natural gas: energy bonuses did not help

In 2012, Belarus enjoyed an "exemption" from the European gas price formula. This became possible after the country signed all of the CEA accords in late 2011 and *Gazprom* consolidated 100% of shares in *Beltransgaz* in the autumn of 2011. The Agreement on the procedure to form prices (tariffs) of the supplies of natural gas to the Republic of Belarus by pipelines located in the Republic of Belarus³ introduced the new procedure for Belarus to pay for the import of Russian natural gas.

The integrated positive effect on the Belarusian economy of the new terms of cooperation in the gas transport sector was

² http://belapan.com/archive/2012/06/22/media_pp_v7/

³ <http://base.consultant.ru/cons/cgi/online.cgi?req=doc;base=INT;n=53600>

estimated at USD 10 bn. The total included USD 2.5 bn that *Gazprom* paid for 50% in JSC *Beltransgaz* and USD 7.5 bn resulting from lower gas prices in 2012–2014.

In 2012, the gas price for Belarus went down to USD 165.6 per 1,000 cubic meters from the average price of USD 265 in 2011. We should compare this to what other consumers pay in order to see the real scope of that gas gift – Russian consumers pay USD 106–107 per 1,000 cubic meters, Ukraine pays USD 414, and European importers pay about USD 400.

However, despite the lowering of the “entry” fee, gas prices for the domestic industrial consumers remained unchanged compared with 2011, at USD 275 per 1,000 cubic meters. The only exceptions were JSC *Grodno Azot* and *Belenergo* companies, which were paying USD 218 and USD 245 per 1,000 cubic meters of gas, respectively. JSC *Beltransgaz* was selling natural gas in the domestic market with a markup of USD 15.95 plus the VAT per 1,000 cubic meters in 2012, up from USD 11.09 in 2011. Starting 2013, the markup is set based on consumer inflation in Belarus (21.8% in 2012).

Furthermore, since January 2012, industrial producers have been paying for gas in U.S. dollars. Once JSC *Beltransgaz* became a subsidiary of *Gazprom*, the foreign exchange risks associated with payments for natural gas in the local currency were passed on to the regional gas distribution networks, which were taking loans to pay for gas. *Belenergo* companies have been chronically short of money to pay regional gas suppliers. In 2011, their debt amounted to 1 trillion rubles. In 2012, the situation with the gas debt aggravated. As of December 1, 2012, overdue debts for fuel and energy resources stood at 984.6 bn rubles.

Electricity: inconspicuous erosion of the monopoly

Belarus remains the only FSU country with a vertically integrated electricity sector. There is no separation between power generation, transfer and distribution. Such a production pattern rules out economic cost-cutting mechanisms, and prices are set on a “cost plus” basis. Cross-subsidy schemes that prevail in the country prevent households from understanding the real value of electricity, lead to ineffective consumption and become a

hidden tax imposed on the sector, thus affecting its competitiveness.

The devaluation of the national currency in 2011 along with the burden of cross-subsidies produced a major negative impact on *Belenergo* companies, which have not made profits in three years. Meanwhile, Belarusian producers have been paying increasing fees for electricity for the last few years, despite the fact that Belarus imports natural gas that it uses to generate power at the lowest possible rates.

The gap between electricity rates for industrial producers and household is exceptional, compared with the neighboring countries. As of January 1, 2012, the average electricity fee for industrial consumers stood at USD 0.1373 per kilowatt-hours (kWh), while households paid an average USD 0.0256 per kWh. In the European Union, manufacturers paid an average USD 0.128 per kWh in the first half of 2011, and households paid USD 0.259 per kWh. In Poland, the rates were at USD 0.118 and USD 0.213 per kWh, in Lithuania USD 0.146 and USD 0.176 and in Russia USD 0.083 and USD 0.072, respectively.

In early 2013, the fee for industrial consumers in Belarus increased to USD 0.1382 per kWh, and for households, to USD 0.0353. According to *Belenergo* estimates, if the cross-subsidy schemes were abolished, industrial producers would be paying USD 0.09–0.095 per kWh.

The Belarusian government has announced plans to phase down cross subsidies in power engineering and abolish it completely by the end of 2015. However, if the government succeeds, only one half of the problem will be resolved, because energy fees should not only take into account the economic interests of producers, but also create incentives to energy-saving at all of the production and consumption phases. Otherwise, the situation in the Belarusian power engineering system will remain essentially unchanged.

In order for economic incentives to become effective in the power engineering system, the entire sector must be reformed. Back in 2003, *Belenergo* prepared *four* scenarios for the restructuring of the domestic energy sector, but some time later, the Presidential Administration tabooed the very words "energy sector reform." It is not clear when the reform will be introduced.

Belarus has no regulatory framework for such changes – the parliament has not yet passed the bill on electricity, although it has been discussed for years.

The government believes that the state monopoly in the energy sector has been somewhat shaken by the law on renewable energy sources. From now on foreign companies and joint ventures will be able to build power plants working on local fuels – water and solar plants, boiler houses and mini-TEC (“teplo-elektrocentral” [“thermal power plant’]) cogeneration plants that fire wood and peat, etc. The state monopoly in power engineering will be done away with as soon as the law on electricity has been adopted, for it is this law that will apply the same terms to generating facilities. In other words, private investors, including those foreign, will be able to build and operate large systemic plants in Belarus to generate power.

However, the government is still undecided on the reform in the energy sector. Many officials have concerns that the separation of generation, transportation and sales, envisaged in the law on electricity, will decentralize energy sector management, which will compromise the efficiency of the Belarusian energy system.

Also in 2012, Belarus tried to expedite the ambitious project to build its first nuclear power plant. On July 18, 2012, Russia and Belarus signed the General contract for the construction of Belarusian Nuclear Power Plant in Astraviec, Hrodna Region. The chief designer and contractor is the unified company *Atomstroyexport* JSC (ASE JSC). The nuclear plant will comprise two units with a combined capacity of up to 2,400 megawatts. The first unit is expected to be launched in November 2018, and the second unit is projected to become operational in July 2020. The project is based on the AES-2006 design by St.Petersburg-based *Atomenergoprojekt*, which is currently used to build Leningrad Nuclear Power Plant-2 and Baltic Nuclear Power Plant in Kaliningrad. *Rosatom* corporation is also using the same design for power units in Russia.

In October 2012, an IAEA mission submitted to the Belarusian government the findings of an infrastructure study for the future nuclear plant. The report says that the creation of a “strong regulating body is of critical importance to Belarus.” It is recom-

mended to improve regulations in the treatment of nuclear waste and irradiated fuel. The report contains 16 recommendations and 22 special proposals.

Importantly, it is planned to build *three* nuclear power plants in the Baltic region — Belarusian Nuclear Power Plant, Baltic Nuclear Power Plant in Kaliningrad region and Visaginas Nuclear Power Plant that is expected to be built in Lithuania. Lithuania did not recognize the Environmental Impact Assessment (EIA) for Belarusian Nuclear Power Plant as valid and lodged a complaint with the IAEA that the EIA for the Belarusian project was missing (Vilnius is located just 53 kilometers away from the Astraviec site for Belarus' nuclear power plant).

Conclusion

There will be no oil "miracle" for Belarus in 2013 — in late 2012, the country had to stop its "solvent and diluent" business under strong pressure from Russia. Minsk had to introduce an additional condition to the Customs Code Treaty of the Customs Union, which put an end to the dubious export scheme.

In the meantime, Russia pegged its crude oil supplies to Belarus in 2013 to the fixed volume of oil product deliveries back to Russia. Belarus is supposed to supply 3.3 million tons of oil products to Russia in 2013, and Russia will see to it that Belarus meets its obligations this year. The year 2013 started with Belarus having no specific contract with Russia for oil supplies for the entire year, and crude is now delivered depending on whether Belarus fulfills its obligations.

Further, there is a tacit agreement between Belarus and Russia that oil deliveries in 2013 will depend on the progress of Russia's integration projects in Belarus, including in sectors other than power engineering. These include the projects pursued by *Rostec* State Corporation and JSC *Integral*, JSC *MZKT* and the Russian defense and industry complex, *Roscosmos* and JSC *Peleng*, JSC *EuroChem* and JSC *Grodno Azot*, and the JSC *Rosbelavto* holding, which will incorporate *KamAZ* and *MAZ*.

Russia is playing the oil card to attain its goals, but acts quite mildly without causing any conflicts, albeit very persistently. Minsk will have to accept the terms imposed on

it, as it has no alternative to the import of strategic raw materials.

The lack of market mechanisms in the energy sector and the burden of cross subsidies in the formation of energy fees, which has already resulted in conflicts between energy agencies (for instance, the dispute between *Belneftekhim* concern and *Belenergo*), may compromise the investment appeal of the leading companies in the key industries, as well as a general decline in competitiveness. One issue that will obviously have a high profile in the future is consensus over the reform of the Belarusian energy system

FOREIGN INVESTMENTS: FOCUSING ON LOANS

Maria Akulova

Summary

Foreign capital inflows in Belarus were quite insignificant in 2012. The government continues to perceive privatization only from the fiscal point of view and is unwilling to sell state property. Therefore, there were no major property sales in 2012 to attract additional investments in the economy. This stance of the government turned external borrowing into the main source of investments.

In 2012, Russia remained the financial pillar for the Belarusian economy. China also became an increasingly important foreign partner extending loans to Belarus. The country took steps to regulate the privatization process, which have the potential to discourage foreign investors. On the one hand, Belarus cancelled privatization lists, which can both simplify privatization and make it less transparent. On the other hand, probable changes in the degree of the state influence on decision-making in open joint-stock companies may increase risks and make investors doubt the effectiveness of property rights protection.

Trends:

- Foreign capital procurement pace remains low;
- Privatization is perceived as a last-resort measure rather than an instrument to facilitate structural changes in the economy;
- Loans become one of the main sources of external financing;
- Modifications in privatization rules affect the country's investment appeal.

Investment plans and sovereign debt

In 2012, the government had planned to raise about USD 1.2 bn in net foreign direct investments (FDI), not including external loans, and at least USD 2.5 bn from privatization of state assets. According to official statistics, net FDI inflows amounted to USD 1.163 bn¹ in the first nine months of the year, meaning that the target had been met before the fourth quarter started. However, compared to the same period of 2011, when net FDI were reported at USD 1.268 bn, a slight reduction was observed.

¹ http://nbrb.by/statistics/BalPay/Comment/2012_3.pdf

Belarus saw a current account surplus of USD 859.2 million in the first three quarters of 2012, whereas in the same period of 2011, a deficit of USD 4.711 bn was reported. Therefore, an outflow of foreign capital was logged in 2012, mostly caused by the reduction in the level of external liabilities to non-residents and closure of the swap deal with China in September 2012. At the same time, the external debt edged up by 0.1% in January–September 2012, or by USD 88 million, to reach USD 32.966 bn as of October 1, 2012, or 59.5% of GDP. As of October 1, 2011, the external debt stood at USD 32.878 bn, 71% of GDP; therefore, the external debt trend is obviously positive. However, the expansion in the external public debt raises concerns – it went up by approximately 7.5% from USD 11.9 bn on October 1, 2011 to USD 12.8 bn on October 1, 2012, or 22.7% of GDP, with the threshold set at 20%. Belarus will have to make most of the payments to service its external public debt in 2013–2014. In 2013 alone, the country will have to pay USD 1.7 bn, whereas in 2014, an additional USD 1.4 bn will have to be paid. In this context, further increases in the external public debt will place efforts to seek new sources to service the debt higher on the agenda.

FDI and privatization

Belarus raised USD 1.163 bn in net FDI in the first three quarters of 2012, according to official statistics, whereas the annual target had been set at USD 1.2 bn. However, the structure of the raised FDI requires additional comments.

The planned USD 1.2 bn was supposed to be attracted by the real economy – the process was supervised by ministries and concerns based on a resolution of the Council of Ministers.² Statistical reports show that only Administration of the High Technologies Park (HTP) managed to exceed the target for attracting external capital. The organizations registered as HTP residents are mostly IT companies focusing on export of services, hence a high competitive capability of the Park in foreign markets and willingness of foreign investors to contribute to the Belarusian IT sector.

² <http://www.government.by/upload/docs/file3b53175765bf4e89.PDF>

The situation does not look as bright in most of the other sectors, though. According to *Belstat*, in 2012, the share of foreign investments channeled into the manufacturing sector amounted to approximately 10%, which is clearly not enough given the need for sustainable economic development and modernization of the industrial sector, as well as creation of high-tech productions capable of independently making money in both the domestic and foreign markets. Of the total, 57% was injected into the real economy, the banking sector accounted for about 33% of total FDI, and sales of property belonging to individual residents of Belarus to nonresidents accounted for the remaining 10%. The significant role of Belarusian banks in raising foreign capital can be attributed, on the one hand, to the increase in authorized capital requirement to EUR 25 million based on a resolution of the National Bank of Belarus (NBB).³ On the other hand, in August 2012, the central bank increased reserve requirements for foreign exchange deposits, which resulted in a larger share of commercial banks' reserves with the NBB.

When it comes to privatization, the 2012 privatization plan failed, and there were only sporadic transactions to sell state assets. Those few sales included the purchase of the state shareholding in OJSC *Orsha Aircraft Repair Plant* by Ukraine's *Motor Sich* JSC and Belarus' ZAO *Systems of Investments and Innovations*. The amount of the transaction totaled BYR 20 bn; the Ukrainian and Belarusian investors bought 60% and 40% in the company, respectively.

Belarus-based *Interservis* bought *Vyoska-EmulBit*, a producer of bitumen, for BYR 37 bn. German VGH *ViktoriaGarten* acquired 50% plus one share in KUP *Zhlobinskoye okhotnichye khozyaystvo* [*Zhlobin hunting farm*].

There were quite many transactions envisaging lease of land for the construction of new facilities. Lithuanian *Norfa Mazmena* leased a site in Vilejka to build a vegetable processing plant. Investments in the project are to amount to USD 5 million.

Russian developer company *Amtel Properties* looks to invest about USD 15 million in the construction of a three-star hotel in Minsk. Swiss *Stadler Rail AG* and Holding Management Company

³ <http://www.nalog.by/tax-news/a743eb7d904f2f88.html>

Belkommunmash OJSC holding plan to build a plant to produce municipal electrical transport in Dziarzynsk District, Minsk Region. The Swiss partner will contribute 60% of the charter capital in monetary assets, whereas the Belarusian side will pay the remaining 40% as a non-monetary contribution and provide a plot for the construction at the premises of the holding in the city of Minsk.

Some BYR 400 bn will be invested in the construction of a bacon pork facility in Valozyn District of Minsk Region. The project is carried out in association with Cypriot and Danish investors. Italy's *Ansaldo Energia* plans to invest EUR 415 million in construction of the first privately-owned thermal power plant in Belarus, to be located in Brest.

Russian Sodruzhestvo group of companies plans to develop a chain of agricultural logistics complexes in Belarus. Investments in each facility are projected to reach USD 10–15 million.

Belarusian *Amkodor* plans to invest BYR 388 bn in the construction of a foundry in Zodzina, and about USD 100 million in equipment and infrastructure of its new production site in Kalodziscy. OOO Triple will invest USD 15 million in the construction of an ethnographic complex in the village of Sabali in Biaroza District. Furthermore, 35 investment contracts have been signed with Lithuanian *MartInnFood LTD* and *Glera LTD* for the construction of a retail network. Finally, the Economy Ministry of Belarus and China CAMC Engineering Co., Ltd. have signed an agreement on the construction of the Chinese-Belarusian Industrial Park near Smalavicy (Minsk Region). The ministry hopes that investments in infrastructure alone will amount to USD 5–6 bn during the first 10-15 years; the total investment requirement is estimated at USD 30 bn.

Last year, both the corporate and public sector raised investments by making IPOs. *EPAM Systems* became the first company with the Belarusian origin to successfully trade its shares at the New York Stock Exchange (NYSE). On February 8, 2012, the company opened its first trading session. Originally it was planned that as many as 7.4 million shares of the company at the estimated price of around USD 16-18 would be offered to investors; however, it was finally decided to reduce the company's IPO to 6 million shares, which were sold at USD 12 apiece.

Prices peaked in mid-April, reaching USD 23.25 and stabilized at the end of the year at USD 19.

In May 2012, the so-called "people's IPO" was launched to sell an additional issue of shares of OJSC *Minsk Sparkling Wines Factory* amounting to 25% of the entire stock. About 68.63% of the total number of shares offered to potential investors was sold. The results of the first people's IPO were quite positive, especially given the poor track record of OJSC *Borisov Plant of Medical Preparations*, which last year sold BYR 105 million worth of its shares, an insignificant part of the BYR 59.7 bn offering.

The year 2012 remained quite tense in the country's relationship with the investors that came to Belarus previously. In the summer of 2012, the Minsk authorities warned Lithuanian investment group *Ukio Banko Investicij Grupe* (UBIG) that they looked to terminate the investment agreement signed five years before. UBIG suffered losses estimated at approximately USD 30 million. The dispute will be addressed by the Stockholm Arbitration Court.

In early 2012, Belarus terminated the contract with Russian *Itera* for the construction of the business center Minsk-City. At the preliminary phase of the project, the investor spent about USD 15 million on Minsk-City. Furthermore, a conflict occurred between Russian Manolium-processing and Minsk City Executive Committee. In all cases, the failure of the investor to meet the deadlines of the project in the wake of the global recession or as a result of disputes over cost calculation methodology was the main reason behind the conflict.

Finally, in October, the government decided to liquidate the supervisory boards of OJSC *Kommunarka* and OJSC *Spartak*, the country's largest confectioneries, in a bid to reestablish control of the two producers. The reason for the move is the violations of the denationalization and privatization procedures back in 1993–1994. Other reasons for the nationalization of the confectioneries include the removal of profits from the territory of Belarus and reduction in the companies' presence in foreign markets. As of today, it is obvious that the move regarding the major confectioneries had quite objective reasons behind it. However, when it comes to the investment appeal of the country,

it will have negative consequences, because the problem of investors' rights becomes relevant once again.

Portfolio investments

In 2012, investors did not recover completely from the shocks of the global meltdown, which is why Belarus had no chance to float its bonds in foreign markets to raise investments as actively as it did in 2010. Prices and yields were volatile throughout 2012 – this applies to both Belarusian bond issuances, maturing in 2015 and 2018. Prices fell in the first half of the year because of the economic troubles and sour relations with the European Union; however, the policy of the government and the National Bank, targeting macroeconomic stability, and timely repayment of foreign debts boosted the price of Belarusian Eurobonds. The prices and yields were as follows at the end of December 2012: the bonds maturing in 2015 – USD 103.0 and 7.44%, and the ones maturing in 2018 – USD 102.79 and 8.27%, respectively.

In the second half of 2012, the government and central bank redoubled their efforts seeking to float another issuance of Eurobonds. In November, Belarus had a roadshow of its bonds in Singapore and Hong Kong, supported by *VTB Capital* and *Sberbank SIB*, and similar roadshows were held in Europe in February 2013. Belarus looks to float USD 600–1,000 million worth of bonds. The new issuance will not exceed the previous ones, given excessive liquidity in international markets.

Other foreign liabilities

In January-September 2012, other foreign liabilities markedly fell, by USD 1,285.1 million, whereas in the same period of 2011, an increase by USD 3,785.6 million was registered. The drop is attributed to the reduction in the Central Bank's liabilities under non-residents' accounts and deposits, as well as repayment of a part of the external debt. Specifically, in September, the NBB closed the swap deal with the People's Bank of China, because the money available as a result of the transaction that took place in 2009 has not been disbursed.

In June 2012, Belarus received the third installment of the EurAsEC Anti-Crisis Fund (ACF) loan, amounting to USD 440 million. In December 2012, the ACF approved a fourth installment; the money was transferred to Belarus in late January 2013.

In 2012, despite the receipt of the third and approval of the fourth loan installments, Belarus failed to meet its commitments and privatize USD 2.5 bn worth of state property. Therefore, the results of the talks over the two final installments of the loan will depend on Belarus' privatization progress. In 2013, Belarus thus needs to sell at least USD 2.5 bn worth of state property to have access to the ACF money.

Finally, in December 2012, China committed a USD 1 bn untied loan to Belarus. As of today, a USD 15 bn credit line of the Chinese government and leading commercial banks of that country is available to finance projects in Belarus; however, most of this money can be disbursed as tied loans. The credit line is therefore a way for China to encourage its export to Belarus by promoting the use of Chinese workforce, materials and equipment for Belarusian projects.

Arrangements to raise foreign financing and improve investment climate in 2012

In 2012, there were no landmark reforms to enhance the investment appeal of the country; however, there were some regulatory acts that caused a mixed response from investors.

1. Decree No.8 *On amendments to Decrees of the President of the Republic of Belarus No.3 of March 20, 1998 and No.7 of April 14, 2008*

On September 10, 2012, the president signed decree No.8 to amend decrees No.3 of March 20, 1998 and No.7 of April 14, 2008.⁴ The decree introduces a norm to privatize state property without making privatization plans, which were introduced by the law of the Republic of Belarus dated January 19, 1993 *On privatization of state property and transformation of state unitary enterprises into open joint-stock companies*. Furthermore, the document abolishes mandatory coordination with the State

⁴ <http://president.gov.by/press139628.html>

Property Committee of additional issues of shares in open joint-stock companies that service strategic sectors of economy. The decree also strips the Committee of its right to make decisions on sale and reduction in the initial price of shares in open joint-stock companies in possession of the Republic of Belarus.

2. Bill *On amendments to the law of the Republic of Belarus "On privatization of state property and transformation of state unitary enterprises into open joint-stock companies"*

The bill comprises amendments to the Law of the Republic of Belarus dated January 19, 1993 *On privatization of state property and transformation of state unitary enterprises into open joint-stock companies*. The document envisages modifications in the management procedure, additional regulation of the legal status of open joint-stock companies created as a result of the transformation of leased, collective, state and state unitary enterprises, and as a result of privatization of leased enterprises. Specifically, it is planned to strengthen state control, appoint state representatives at companies and introduce the right of state representatives to attend meetings of supervisory boards in order to increase the effectiveness of businesses and protect the interests of the state.

Forecast for 2013

The privatization plan for 2013 includes sales of state property worth at least USD 2.5 bn. This amount will be enough for Belarus to take the next installment of the EurAsEC ACF loan. However, because privatization is still treated as a purely fiscal instrument, there will be no dramatic changes from the privatization pattern observed in previous years. Deals to sell larger enterprises will be sporadic, and with a sole purpose of meeting EurAsEC requirements.

On the other hand, the cancellation of privatization lists and probable adoption of the bill *On amendments to the Law of the Republic of Belarus "On privatization of state property and transformation of state unitary enterprises into open joint-stock companies"* will discourage investors to acquire assets, in which either the state owns a stake or the population acts as a minority shareholder. Therefore, the demand for enterprises of small and

medium-sized state ownership will be weak, while the demand for businesses created with *greenfield* investments will grow, as these companies are considered better protected.

In 2013, Belarus will continue issuing and floating its Eurobonds. The current market situation suggests that yields on new Belarusian sovereign bonds will not exceed those on previous issues.

There is no reason to expect a breakthrough and quality changes in Belarus' efforts to raise foreign investments in 2013 compared with previous years. The need to reform the economy and boost the competitive ability of domestic producers in foreign markets remains; if the administration fails to introduce reforms and encourage competitiveness, the economy will have a low investment appeal, which will affect its stability.

AGRICULTURE: FIRST GROWTH, THEN MONEY

Konstantin Skuratovich

Summary

In 2012, Belarusian agriculture and its food-processing sector managed to exceed the production targets for the year and boosted foreign trade volumes by increasing export amid a relatively slow growth in import—the sector reported a surplus in foreign food trade last year.

Russia accounted for most of the growth in foreign trade in food. The increase in supplies to the Russian market removed the problem of export diversification (which the government prefers not to mention at all) from the agenda. In the domestic consumer market, retail prices were growing faster than European food prices. The sector made marked progress in building up the financial health of many agricultural organizations; however, the situation remains unsatisfactory.

Trends:

- Sales of foods are limited to the domestic and Russian markets;
- No organizational, personnel and technological prerequisites and lack of resources for radical improvements in the financial standing of agriculture;
- Agribusiness remains the largest non-payer in the national economy;
- Stimuli created by the two devaluation moves were exhausted in 2012; agricultural producers expect another initiative to have resources redistributed in their favor.

Introduction

Despite insignificant volumes of foreign trade, agriculture remains the fundamental component of Belarusian agribusiness, accounting for 4.1% of the country's gross domestic product. The sector comprises crop production and animal breeding. According to official sources, there are about 1,300 agricultural organizations in Belarus, 2,000 private farms, 1,100 subsistence farms; the sector employs 438,400 people (9.5% of the country's workforce¹).

When analyzing the 2012 performance of agriculture and agribusiness as a whole we should factor in the dual nature of

¹ <http://www.belarus.by/en/>.

the tasks that are set for the sector. On the one hand, agriculture is supposed to increase production in volume terms, but on the other hand, it is set a task to improve the financial health of agricultural organizations. In the medium term (2015), Belarusian agriculture must attain self-financing and self-sufficiency. President Alexander Lukashenko believes that the state program for the restoration and development of the rural areas has made impressive progress; however, many problems have been unresolved, specifically the efficiency of economic management.

Judging by Lukashenko's remarks, the results of the program are unsatisfactory when it comes to organizational and management patterns. It appears that the government that was originally formed to address the challenge of a "new economic policy" failed to have any major improvements in 2012. The long-standing negative trends remained in place, while new approaches remained on paper. The same tasks have been set for agribusiness for years, and the command-and-control administration has employed the same instruments to tackle them, failing to encourage agricultural enterprises to develop.

The mechanism was established long ago as a result of collectivization. It has been preserved as a valuable tool to stabilize the economic and political systems. Liberalization attempts were made in the early 1990s, when private farms were set up; however, efforts to promote their development were discontinued. Furthermore, they additionally require agriculture to perform ideological functions. This must be the reason why milk yields averaged 4,712 kilograms per cow in 2012, an increase by 190 kilograms compared with 2011. If this trend continues, in two or three years, the average yield will amount to 5,000 kilograms, which back in the Soviet times was considered a benchmark of a successful communist agricultural model. The sector currently needs to attain average European indicators; however, they must be achieved with the use of century-old technologies.

Export/import

Food export in volume terms went up by 25.7% year-on-year in 2012, and import increased 22%. At the same time, average export prices fell by 5.9%, and import prices decreased by 3%. Meat

export in volume terms rose by 21.9%, and dairy export increased by 33.4%. Average prices of meat dropped by 3%, and of dairy products, by 18.2.²

There were some problems with sugar supplies, as deliveries in volume terms rose by 13.4%, while prices fell by 19.5%.

Import of cereal crops soared by 220% year-on-year in 2012, and of animal nutrition products rose by 30.9%. In 2012, the average prices of cereal crops fell by 38.7%, and vegetable oil prices dropped by 11.3%.

Food export went up in 2012 due to the increase in supplies of sausage and other meat products in value terms (by USD 171.7 million), of vegetable oil (by USD 92.2 million), of meat and poultry byproducts (by USD 86.9 million), of milk and non-condensed cream (by USD 67.8 million), and of ready-to-eat or canned meat products (by USD 64.1 million). At the same time, import of pork rose by USD 101.2 million in value terms, of chocolate and other cocoa-containing products by USD 37.4 million, of fish fillet by USD 19.1 million, of beer by USD 18.1 million, and of bananas by USD 17.8 million.

Belarus recorded a surplus of foreign trade in food amounting to USD 2,114.2 million, which compares to USD 1,788.7 million in 2011. The surplus expanded by USD 325.5 million in 2012 due to the faster increase in export.

Agriculture, hunting and forestry industry exported USD 419.9 million worth of products in 2012 and imported USD 439.9 million worth of commodities, hence a trade deficit of USD 13 million (based on the statistics "foreign trade in commodities broken down by economic activities"). However, processing enterprises (which trade foods, beverages and tobacco goods) exported USD 3,870 million worth of goods and imported USD 2,133.6 million worth of products, which resulted in a surplus of USD 1,736.7 million.

Production

Under the forecast for 2012 (Decree of the President of the Republic of Belarus No.590 of December 23, 2011), farm output

² <http://belstat.gov.by/>

was expected to grow by 4–5% in 2012. Gross output by all categories of agricultural organizations amounted to BYR 100.8 trillion in current prices, an increase in 6.1% in comparable prices from the level reported in 2011. Of the total increase, 2.9 points were contributed by cattle breeding, and the remaining 3.2 points, by crop production.

Agricultural organizations, including private farms, logged a 7.4% increase in output. Cattle breeding output went up by 7.7%, and crop production rose by 6.9%.

In 2012, gross grain output reached 9.2 million tons (in bunker weight after initial processing), an increase by 1 million tons, or 11.5% compared with 2011. Potato harvest edged down by 3.3% to 6.9 million tons. Vegetable harvest reached 1.6 million tons, down 12.9% year-on-year.

As of January 1, 2013, there were 4.2 million heads of cattle in Belarus, an increase by 3.3% compared with 2011, including 1.4 million cows, up 4.3%. The number of pigs went up by 8.2% to 3.3 million.

In 2012, sales of fattened cattle and poultry (in live weight) amounted to 1,558.3 million tons, up 6.4% year-on-year, milk output totaled 6,767.3 million tons, up 4.1%, and egg output reached 3,832 million units, up 4.8%.

Procurement organizations purchased 75,900 heads of cattle from private farms, down 2.7% compared with 2011. Milk procurement from private farms went down by 1.1% to 313,600 tons.

Reincarnation of the late 1980s “reforms”

Officials at the Agriculture and Food Ministry admit that the financial situation at most of the country's agricultural organizations remains complicated and unstable, despite improvements in some major indicators. In 2012, the government continued making efforts to “deepen the packaged approach to large-scale production programs,” to “overcome the practice of providing excessive care and tutorship for agricultural organizations and encourage their self-sufficiency and ambition.”

This policy looks a lot like efforts to facilitate transfer to self-financing, self-sufficiency and self-support in the late 1980s.

The Three-S concept underlay the economic reform of the USSR in 1987. It was planned that if they succeeded, agricultural organizations would be able to use their own finances and resources to ensure simple and expanded reproduction. After Lukashenko came to power in Belarus, the economic reform was officially condemned, while the objectives formulated back when the reform was launched have remained in place and are currently treated as binding. Therefore, there was no change of track to an all-new economic course. According to Deputy Economy Minister Vasil Kazakevich, "there are still reserves that can be used to cut costs and improve quality, but they remain unwanted; technological discipline is lax, and as a result, production falls because of shortages of commodity output. This work is poorly organized and in some cases we see no efforts whatsoever."³ This opinion confirms the evaluation of the status of Belarusian agribusiness provided by Mikhail Myasnikovich when he assumed office of the prime minister. He called the situation in agriculture "horrific." It was horrific during the first post-Soviet period of market reforms and after the state program for the restoration and development of rural areas was adopted.

We should agree with critics, who claim that the reform component of the program was reduced to "new signposts" and primitive imitations. For instance, the government referred to the initiative to transfer bankrupt agricultural organizations to "effective owners," such as banks, industrial companies and penitentiaries, as a "market" move.

At the same time, official statistics proves that the sector makes consistent progress. According to *Belstat*, sales profits amounted to BYR 8.4 trillion in 2012, and net profits totaled BYR 4.3 trillion; return on sales reached 13.8% (and 15% based on full year performance), while the target had been set at 4–4.5%. The number of organizations that reported losses in 2012 fell to 19 from 21 in 2011. Without state support, the profitability of agricultural organizations increased to 9.3% in 2012 from 6.9% in 2011.

However, as of January 1, 2013, agricultural organizations accounted for 29.2% of all overdue payables. Their overdue

³ <http://www.apk-inform.com/ru/news/1014015>.

payables were 6.5 times the amount of overdue receivables. Agricultural enterprises also accounted for 36.5% of the total volume of arrears of taxes, budget payments, and social insurance payments and 46.8% of the country's total loan debt. It is noteworthy that combined net profits of all agricultural organizations, at BYR 9.02 trillion rubles in 2012, is 33% below the total amount of financing of agriculture from budgets of all levels (at BYR 14.7 trillion; BYR 1.9 million per hectare (equivalent to USD 227)).

Conclusion

The kolkhozes, which were formally transformed into production cooperatives, have never been given any economic independence. On the contrary, the command and administration system remains in place and has been consolidated.

The sector remains heavily subsidized, despite demands to attain self-sufficiency. Subsidies keep growing, and so do overdue payments, which are eventually written off.

Harvest has always been high on the agenda for the government, which believes that no money should be saved on agriculture. The situation is determined by the stereotypes resulting from outdated management schemes – they are still perceived as reliable tools to ensure the stability of the social and economic system. It seems that agriculture will be the last sector to see changes.

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