Central and Eastern European dimension of Belarusian diplomacy – Belarus foreign policy digest

In July and August, Belarusian diplomats kept busy reinforcing ties with the country’s partners in Central and Eastern Europe. These relationships may prove to be instrumental in bolstering Belarus's foreign policy positions.

Foreign minister Vladimir Makei travelled to Kyiv in the midst of another flare-up in the conflict between Russia and Ukraine. His deputy Alena Kupchyna's trips to Austria, Poland, Turkey and Ukraine served to strengthen informal channels of communication alongside formal contacts.

At home, Belarus has started preparing intensively for its 2017 presidency of the Central European Initiative, hoping to reap important economic and PR benefits from this temporary office.

Showing off a “mature partnership” with Ukraine

Vladimir Makei visited Ukraine on 25-26 August for the inauguration of the new residential compound of Belarus’s embassy in Kyiv.

The foreign minister paid a visit to the country’s President Petro Poroshenko and discussed a wide range of issues with his counterpart Pavlo Klimkin and deputy prime minister in charge of construction Hennadiy Zubko.
Makei visited Kyiv just as Minsk’s closest ally, Russia, was accusing Ukraine of terrorism and had once again started referring to Ukraine’s leaders as “those who seized power in Kyiv”. Lukashenka’s emissary emphasised Belarus’s determination “to be guided only by its own national interests” when developing its relations with Ukraine.

Belarus and Ukraine are happy about the absence of “any unresolved issues” in their bilateral relations. Makei dismissed recurring trade wars as “periodically emerging minor questions” of “mostly technical nature”, which the countries intend to address at the next meeting of the intergovernmental committee.

Makei and Poroshenko discussed the prospects for further normalisation of relations between Belarus, the EU, and the United States with Ukraine’s assistance. In July, meanwhile, Belarus’s foreign ministry had politely declined a similar offer from Poland’s foreign minister. Witold Waszczykowski then suggested that Warsaw could act as a mediator in fostering closer cooperation between Belarus and NATO.

Emphasising informal dialogue with Europe

Belarusian and Polish diplomats may have discussed Waszczykowski’s mediation proposal within the framework of political consultations held in Warsaw on 20 July. The delegations were headed by deputy foreign ministers Alena Kupchyna and Marek Ziółkowski respectively.

Minister Waszczykowski, who received Kupchyna in Warsaw, rejoiced at the increasing dialogue between various ministries in each country, but mentioned political and parliamentary
contacts specifically.

Indeed, two weeks later, Ryszard Terlecki, vice-speaker of the Polish Sejm, led the highest-level parliamentary delegation of an EU country to Minsk in twenty years. The accommodating Polish government seems to be willing to negotiate, advocating the improvement of the situation of the Polish minority in Belarus in exchange for recognition of the impotent Belarusian parliament.

However, summer seemed to be more conducive to informal contacts between Belarus and Europe.

Alena Kupchyna went to Kyiv on 11-12 July to attend the 7th Eastern Partnership (EaP) Informal Partnership Dialogue. The EaP countries’ senior diplomats discussed the further development of the Eastern Partnership and international issues. Their colleagues from the ministries of economy focused on economic reforms to unleash the potential of small and medium-sized enterprises.

Kupchyna seized the opportunity to campaign for an enhanced dialogue between the Eurasian Economic Union (EAEU) and the European Union. Belarusian diplomats are persisting in advocating the “integration of integrations” despite the fact that even sympathisers of this concept in the EU see it as a mere Russian project.

On 27-30 August, Alena Kupchyna travelled to Alpbach (Austria). She participated in a panel discussion on Central and Eastern Europe and Russia in the framework of the European Forum.

In Alpbach, Kupchyna met in an informal setting with foreign ministers of Slovakia and Ukraine. The soon-to-be Belarusian ambassador in Vienna also held meetings with the Austrian foreign minister and some members of his staff.
Strengthening strong ties with Turkey

Alena Kupchyna visited Turkey on 15 July, only one day before the failed coup attempt. In Ankara, she held political consultations with Deputy Undersecretary Ali Kemal Aydın. Belarus and Turkey agreed on an action plan to develop cooperation between the two countries for 2016-2017.

The trip's main purpose was to prepare for President Recep Tayyip Erdogan’s visit to Minsk, which was initially scheduled for 29 July. The attempted coup forced the parties to postpone the visit.

The recent crisis in relations between Russia and Turkey caused by the downing of Su-24 jet fighter never affected the dynamics of cooperation between Minsk and Ankara. Belarus expressed immediate and unconditional solidarity with Erdogan after the coup attempt. Belarusian President Alexander Lukashenka sent a personal message of support to his Turkish counterpart.

Lukashenka's ideology boss, Vsevolod Yanchevskiy, visited Ankara on 11 August to discuss major investment projects, which would require the blessing of the two presidents. Minsk expects Erdogan sometime in September. The exact date has yet to be officially announced.

Preparing to assume the CEI presidency

As Belarus Digest had forecast earlier, Belarusian diplomacy
intends to make the most of the country’s presidency in the Central European Initiative (CEI) in 2017.

In Bosnia and Herzegovina in June, Vladimir Makei promised to “place a special emphasis on fostering connectivity in the region, supporting sustainable economic development, and further promoting the CEI’s outreach”. By the latter, the foreign minister had in mind a closer relationship between the CEI and Russia-dominated groupings, such as the CIS and the EAEU.

On 15 July, Makei began proper preparations for a series of CEI events to be held in 2017 in Minsk, one of the priority topics for his annual meeting with Belarusian ambassadors.

More importantly, on 25 July, the Belarusian government established an inter-agency working group to ensure Belarus’s presidency of the CEI. The group was chaired by Prime Minister Andrei Kobyakov, and included high-level representatives of twenty-three ministries, governmental agencies and other public bodies.

Having good qualifications for multilateral diplomacy, Belarus’s foreign ministry will seize every opportunity the presidency provides to push through its agenda with countries of Central and Eastern Europe. This region already represents the Belarusian authorities’ largest support base in Europe.

Besides practical benefits derived from development of economic ties, the Belarusian government will try to use this opportunity to improve its public relations.

Belarus’s growing engagement with Central and Eastern European countries may pursue two objectives simultaneously. Firstly, to position itself as an important regional player. Secondly, to obtain more and stronger allies or at least sympathisers among EU members and EU-leaning countries to strengthen its negotiating position with regards to the European Union.
Belarusian Diplomacy in 2015 – Annual Foreign Policy Digest

On 6 January, the Belarusian foreign ministry published an annual review of Belarus’ foreign policy (in Russian only). The document, in bureaucratic lingo, tediously reports on the ministry’s achievements and activities in 2015.

Belarus Digest offers its own subjective summary of Belarusian diplomats’ most notable successes and failures in the past year in a "top ten" format. In most cases, the results were mixed, however.

Getting the sanctions suspended. In October, the European Union suspended for four months its restrictive measures against many Belarusian companies and individuals. In coordination with the EU, the United States also provided a six-month long reprieve from sanctions for nine major petrochemical enterprises.

Belarusian and Western diplomats carefully crafted this milestone in their step-by-step strategy of improving relations through months of negotiations. However, it became possible only after the authorities released political prisoners and held presidential elections in a peaceful manner.
Facilitating the Minsk agreements. In February, the German chancellor and presidents of France, Russia and Ukraine met in Minsk to negotiate a peace deal on Ukraine. The resulting Minsk agreements have become a reference point for further efforts to resolve this crisis. The Belarusian capital gained immediate and lasting international notoriety.

Belarusian president Alexander Lukashenka finally got direct access to the true European decision-makers. Angela Merkel and François Hollande, by their mere appearance in Belarus, broke Lukashenka’s isolation and blessed Minsk’s claims of becoming a regional diplomacy hub.

Building brand-new ties with Europe. Building a strong web of bilateral and institutional ties with Europe, Belarus held meetings of commissions on trade and economic cooperation with thirteen countries and political consultations with twenty-two European states, including France, Italy, Sweden and most Central and Eastern European nations. Belarusian diplomats tried to leave out from discussion, whenever possible, political and human rights issues, topics on which disagreements remain substantial.

However, Belarus did not exchange highest-level visits with EU countries in 2015. Alexander Lukashenka met his counterparts from Austria and Latvia only on the sidelines of the UN summit. His foreign minister Vladimir Makei paid visits to Berlin and received his colleagues from Austria, Hungary, Latvia and Lithuania in Minsk.

Achieving a thaw in relations with the US. Dialogue with America was far less intense than that which Minsk established
with Europe. The United States is deeply mistrustful of Belarus’ intentions. However, the two countries were able to launch a “virtuous cycle” in bilateral relations in which the positive steps of one are responded to in kind.


Reinventing the Eurasian dimension. In July, Belarus obtained the long-sought prize of observer status in the Shanghai Cooperation Organisation. However, it is unlikely to provide any real added value for Belarus, besides some PR benefits. The same applies to the country’s contacts with the BRICS (Brazil, Russia, India, China and South Africa).

The state visit of Xi Jinping, China’s “paramount leader”, to Minsk in May was labelled as a “milestone” in bilateral relations. Belarus hopes to lure more Chinese investment into the country and get the Celestial Empire interested in importing more Belarusian goods. However, doubts remain about how genuine Beijing's interest is in Belarus' exaggerated offer of becoming a China's gateway to Europe.

Advocating the Eurasian Union. Belarus, as the current chair of the Eurasian Economic Union (EEU), invested a lot of effort in the international promotion of this project. Belarusian embassies made a pitch for investing in and trading with the EEU at every opportunity.
In this vein, Belarus sought to obtain observer status for the EEU at the UN. The Belarusian mission in New York failed to forge a consensus on this initiative because Azerbaijan, Georgia and Turkey opposed it. The international status of the EEU was falling victim to problems which some of its members have in bilateral relations with third states.

Promoting the “integration of integrations”. Belarus remained charmed by the verbal beauty of the idea of “integration of integrations”, seeing it mostly as a “Greater Europe from Lisbon to Vladivostok”. Lukashenka and Makei promoted the concept during bilateral meetings, at the UN summit in September and at the Eastern Partnership summit in Minsk.

In October, Belarus tried to engage the EU in a practical consideration of this idea, submitting a non-paper to this effect in Brussels. The European Commission responded to this invitation by a letter that its President Jean-Claude Juncker sent to … Vladimir Putin in November. This was a slap in the face for Belarus’ president and an indication that the EU understood the real nature of the Eurasian integration project.

Negotiating visa facilitation with Europe. In 2015, Belarus and the EU failed to complete the visa facilitation talks that they so successfully launched in 2014. Belarusian negotiators expected the agreement to be initialled at the May Eastern
Partnership summit in Riga. This did not happen as some “technical details’ needed further discussion.

In November, a senior EU official announced that the visa facilitation and readmission agreements were ready for signing as soon as Belarus upgraded its diplomatic passports. The Belarusian foreign ministry promptly contested this assertion without elaborating on outstanding issues.

**Resisting a single visa regime with Russia.** Lately, Russia has been obstinately probing Belarus’ position on a single visa regime between the two countries. In March, Moscow brought in the big guns when Vladimir Putin announced upcoming talks on the issue. Russia wants the single visa space as a means of exercising stronger leverage over Belarus’ relations with third countries.

Belarus has so far refused to confirm the existence of such plans, reaffirming that the country’s approach on the matter had "undergone no fundamental changes". Its foreign ministry has instructions to agree on nothing beyond a coordinated visa policy.

**Fighting the human rights battle.** Belarus stuck to its stubborn denial of the dire human rights situation in the country. In October and November, it fought vehemently at the UN against the country-specific procedures, one of which targets Belarus. On this matter Belarusian diplomats enjoy the support of many like-minded human rights pariahs. Belarus also failed to cooperate properly regarding thematic human rights procedures, i.e. on human rights defenders.

Meanwhile, Belarus conducted two rounds of human rights dialogue with the US and one with the EU, as a part of the step-by-step strategy of improving bilateral relations. In September, Lukashenka unexpectedly talked to Zeid Ra’ad Al Hussein, High
In 2016, Belarus’ foreign policy priorities will not change much. The foreign ministry will focus on the definitive abolition of Western sanctions, increasing export revenues and luring foreign loans and investments. It will also rekindle the issue of international post-Chernobyl assistance.

Threats to Belarus, Eurasian Union, Political Prisoners – Digest of Belarusian Analytics

Belarusian analysts discuss the threat to Belarusian statehood from Russia, the pros and contras of the Eurasian Economic Union as well as protest potential and intensified contacts of Belarus with the West.

Foreign Policy

Karbalevich on Belarus: Hybrid Ally – Valery Karbalevich believes that both the opposition and the authorities are aware of the threat of Belarus' independence from Russia, which arose after the accession of Crimea. According to the expert, to confront Russia, Belarus should become truly independent, ie, to create a viable economic system able to exist without Russian privileges. But Lukashenka cannot go for
reforms, "because the transformation of Belarus is a bigger threat to his rule than the hybrid potential war with Russia."

**Russian Media: Belarus Should Join Russia or It will Be Liquidated** – The Russian business newspaper *Vzglyad* published an article calling for Alexander Lukashenka to hold a referendum in the autumn of 2015 on the accession of Belarus to Russia. The journalist notes that Lukashenka needs to decide whether he is with Russia or the West. Otherwise, Belarus could suffer the fate of Ukraine.

**The Eurasian Economic Union: Analyses and Perspectives from Belarus, Kazakhstan, and Russia** – In the present publication, four perspectives from three member states of the EEU have been drawn together, which together sharpen the vision on the emerging trends of the Eurasian integration process – and its numerous contradictions. Arseniy Sivickiy (Minsk) perspective on the EEU hinges on clear differences of interest in the design of the EEU contract and its implementation.

**Politics**

**Opinion. Devaluation of Political Prisoners** – Artiom Shraibman, TUT.BY, analyses recent developments in the warming relations between Belarus and the West: "The Europeans and the Americans themselves knocking at the door, saying that economic cooperation is no longer linked to political differences, does not contradict them." Accordingly, the political prisoners are not the most important obstacles anymore between Belarus and the West. This greatly increases the possibility that they will stay behind bars until the end of their terms.

**Warming on the Western Front Can Help Belarus to Slip Into the Bologna Process** – Representatives of the Council of Europe and the Monitoring Group of the Bologna Process have arrived in Minsk to ask questions about the readiness of Belarusian officials of higher education to join the European educational
space. According to the Head of the Council of Europe's Education Department, Sjur Bergan, now "the political situation in the country is more favorable than in 2012, when Belarus was denied entry into the Bologna Process."

**Belarusians' Protest Capacity Does Not Exclude New Ploscha** – On the eve of the presidential elections 2015 and on the background of the Ukrainian events protest activity has increased in Belarus. These findings are contained in the annual monitoring, prepared by the Political Sphere Institute. In 2014, researchers recorded 127 protests. In comparison with 2013, the number of public actions increased by 26%, social conflicts – by 18%. The leader in the number of protest action of 2014 was Minsk.

**Third Sector**

**Overview of Youth Policy and Youth Participation** – Key barriers to youth participation at the policy level in Belarus are formalism, structural constraints, the lack of will of the authorities and personal factors. This is the conclusion of Belarusian National Youth Council RADA under its study conducted together with the Center for Legal Transformation. Currently the first two chapters are available: youth policy and youth participation in public and political life of the country. Chapters on youth labor and education are being prepared for publishing.

**Legal Regulation of Economic Activities of NGOs** – European Center for Not-for-Profit Law (ECNL) present an overview of the legal regulation of economic activities of civil society organizations in Europe. The research was done at the request of the Assembly of Pro-Democratic NGOs of Belarus and Legal Transformation Center. The research paper aims to indicate the options how civil society can independently earn money for their activities.

**In Belarus there are 2,596 registered NGOs**. In 2014, the
Ministry of Justice registered 86 newly-established non-governmental organisations (1 international, 13 republican, 72 local), 3 unions (associations) of non-governmental organisations, 11 local foundations. In comparison to 2013, the total number of registered NGOs increased by 2.9% and to the moment reaches 2,596 NGOs. The most frequent activity among registered NGOs is sports and physical training (684 NGOs).


NGO Assembly and LawTrend prepared the document covers the most important issues in the sphere of freedom of association for the period of the last 3 months. The Monitoring includes the list of non-commercial organisations registered during the review period: namely, 23 public associations, 3 foundations and 15 non-governmental institutions were registered.

**Lessons Learnt of State Social Contracting in 2014 in Belarus**

ACT NGO releases key findings of the first practices of state social contracting, implemented in Belarus. In 2014, 26 regions used the mechanism of state social contracting and subsidized the NGOs from local budgets for the total amount of more than 1.8 billion rubles (about $125 thsd). The study was carried out with the support of the Ministry of Labor and Social Protection.

**Business, Opinion Polls, Human Rights**

**Top 5 Pro-Belarusian Business**

Vadzim Mazheyka composes the top 5 business companies engaged in pro-Belarusian projects. The list includes, for example, Belgazprombank that made a loud exhibition project "Ten Centuries of Belarus Art", or network of gas stations A-100, which serve customers in Belarusian. The expert notes that the Belarusian business notices the popularity of Belarusian culture, and that means the latter is going beyond historical and political ghetto, and becoming a true social trend.
**IISEPS National Survey in March 2015** – According to recent survey of Independent Institute of Socio-Political and Economic Studies (IISEPS), almost 40% of Belarusians believe that Belarus needs serious reforms (structural and system changes), and more than 42% agree for gradual reforms that would retain the current system. Alexander Lukashenka's electoral rating has dropped to 34.2% (almost by six percentage points compared with December 2014), due to the deteriorating economic situation.

**Amnesty International Report 2014/15.** The Amnesty International has released its regular report 2014/15 that documents the state of human rights in 160 countries and territories during 2014. Namely, the report states that Belarus remained the only country in Europe to carry out executions; the right to freedom of expression was severely restricted and journalists faced harassment; NGOs continued to be arbitrarily denied registration.

**Five Years of Belarusian Web** – Michail Darashevich, manager of Gemius in Belarus, analyses figures of Internet development in Belarus for the last five years. Namely, from December 2009 to December 2014, the Belarus online audience has risen by 65.5% or from 3.023 million to 5.004 people. The retired people group has risen from 1.28% to 5.56%; however, this is extremely little as compared to the whole Belarusian society. The number of daily users has grown from 72.70% to 82.73% of the whole Internet audience.

*Belarus Digest* prepared this overview on the basis of materials provided by Pact. This digest attempts to give a richer picture of the recent political and civil society events in Belarus. It often goes beyond the hot stories already available in English-language media.
Minsk Dialogue Conference: Belarus to Become a Regional Hub for Expert Diplomacy

Minsk has recently reaffirmed its status as a regional diplomacy hub. Western governments have been eager to praise Belarus' role in the Ukraine peace process and became receptive to the Belarusian regime's ideas on reformatting the Eastern Partnership initiative.

This week not only politicians but experts as well will come to Belarus to discuss acute regional problems at the Minsk Dialogue conference on 26 – 28 March. Experts from leading European and Russian think tanks, such as Chatham House and Ośrodek Studiów Wschodnich, will focus on how to bridge the growing divide between two regional initiatives – the Eurasian Union and the Eastern Partnership.

Minsk as a Venue for Multilateral Talks

Over the last several months Minsk hosted a series of talks in various formats on the crisis in Ukraine. This comes as a continuation of the tradition of Belarus serving as a venue for international diplomacy. In fact, Minsk hosted more high level and symbolic regional meetings in the last decades that most nearby capitals.

In December 1991, leaders of Belarus, Russia and Ukraine, still parts of the USSR, came to the Viskuli hunting estate in Belarus to carry out negotiations which resulted in the dissolution of the Soviet Union and the creation of the Commonwealth of Independent States.
Since then, Minsk boasts of an informal status of the "CIS capital", where the organisation's Executive Committee, Economic Court and some specialised agencies reside. The Belarusian capital also hosts the Court of the Eurasian Economic Union. Minsk has become a preferred homebase for numerous post-Soviet integration summits.

In 1992, Belarus offered its capital city as a venue for the awaited peace conference on Nagorno-Karabakh. The conference has yet to happen, but the Belarusian capital has already lent its name to the OSCE Minsk Group dealing with this conflict. Recently, Foreign Minister Vladimir Makei met in Minsk with the Group's co-chairs to discuss Belarus' potential contribution to the peace process.

Minsk obtained international recognition of its status as a regional hub of diplomacy when it hosted a series of important meetings seeking to resolve the crisis in Ukraine.

The first major meeting took place in August 2014 and brought to Minsk the presidents of Kazakhstan, Russia and Ukraine and three top EU commissioners. The second, in February 2015, gathered Angela Merkel, François Hollande, Vladimir Putin and Petro Poroshenko together in Alexander Lukashenka's lavish Minsk residence.

Minsk, chosen for its logistical and political convenience, has demonstrated ability to organise intricate international meetings in an expedient and efficient manner.
From Official Diplomacy to an Expert Dialogue

This week Minsk will also become a venue for a major expert meeting. As a result of historical, linguistic and visa issues, very few forums exist where experts from post-Soviet countries and their Western colleagues can exchange views and formulate advice for decision-makers. Think tanks remain largely national initiatives, rooted in the views of one country. Analysts from two different worlds often live in their own bubbles because of language barriers, a lack of open communication channels and financing.

Minsk has an excellent chance to become a hub of productive dialogue among post-Soviet and Western think tanks. Belarus has close relations with Russia but it has never severed its civilisational ties with the Western world. It also uniquely belongs to both the Eastern Partnership and the Eurasian Union.

Minsk Dialogue: Bridging the Divide

The Minsk Dialogue conference, which will take place in Minsk on 26 – 28 March, has the ambitious goal of establishing a unique platform to bring together think tanks from East and West for regular expert meetings and joint publications.

Two Belarusian think tanks – the Liberal Club and the Ostrogorski Centre – have been working together to make the first Minsk Dialogue event happen. The Ostrogorski Centre is a private, nonpartisan policy research outfit uniting experts based in Belarus and elsewhere in Europe. The Liberal Club is a Minsk-based NGO that organises regular public events
involving the government, opposition and independent experts from Belarus and the region.

"The EU – Russia – EAEU summit in August 2014 in Minsk made me think of Belarus as a potential Eastern European Switzerland, sort of a diplomacy oasis. I wondered whether it would be possible to organise an expert dialogue alongside official diplomacy. Remarkably, most of my contacts among diplomats, officials and analysts met this idea with enthusiasm", says Yauheni Preiherman, policy director at the Liberal Club and a regular contributor to Belarus Digest, a project of the Ostrogorski Centre.

The inaugural Minsk Dialogue conference, sponsored by the European Commission, PACT and other donors, will focus on developments in the EU and Russia's shared neighbourhood. It uniquely convenes experts from Russia, the EU, and post-Soviet countries caught in between both entities at the same table in the midst of the Ukraine crisis.

The event will bring together up to thirty leading researchers and political analysts from the European Union, Russia and Eastern Partnership countries. Arkady Moshes from the Finnish Institute of International Affairs will chair the session "The Eurasian Economic Union: Legitimate Grouping or Veil for Revanchism?". James Nixey (Chatham House, UK) will steer the debate on the causes for the regional divide.

Belarusian and foreign diplomats will make their contribution to the Minsk dialogue. A representative of the Belarus Foreign Ministry will open the conference, held in a prestigious hotel
in downtown Minsk and at a scenic club just outside of the city. Ambassador Maira Mora, Head of EU Delegation to Belarus, will lead the discussion on the reform of the European Neighbourhood Policy.

According to the conference programme, except for the introductory session, the event will take place under Chatham House Rules so that the participants can engage in open and sincere debate.

**Focus on Concrete Recommendations and the Riga Summit**

As the event takes place two months ahead of the Eastern Partnership summit in Riga, the experts will focus on formulating concrete recommendations which will be presented to policy-makers in Riga.

The organisers hope to transform the conference into a durable and inclusive expert network capable of promptly reacting to the ever evolving situation in the region. Experts' qualifications and the reputations of the think tanks they represent guarantee that the decision-makers will give a fair hearing to their recommendations.

*Yarik Kryvoi & Igar Gubarevich*

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What to Expect from the 2015 Presidential Elections in Belarus?

The year 2015 will herald a new presidential election in Belarus, certainly by the fall, and perhaps as early as March. It will be the fifth presidential election since the introduction of a national Constitution in 1994, and will mark Alexander Lukashenka’s 21st year in power.

Perceived Weaknesses of Lukashenka

Traditionally, elections are times when there are opportunities for the opposition to attract public attention, to use short spans on national TV and radio, and to make appearances at public venues. On paper at least for several reasons opposition leaders appear to have greater opportunities for support than in the past. They can be listed as follows, and not necessarily in order of significance.

First, as the president indicated in his meeting with journalists on 29 January, he is growing old—in fact he seems to have aged much faster physically than his equally seasoned counterparts such as Anatol Liabedzka of the United Civic Party or the still jailed Mikalai Statkevich of the Social Democrats. That fact seems to lead the president to talk about the possibility of retiring from office.

Second, the country appears somewhat directionless. The president has no plan for the future, no clearly laid out scheme for economic reforms, or vision of where his state lies in the European and Eurasian geostrategic picture. The
question would seem critically important in view of the events taking place in neighbouring Ukraine, which have polarised much of the continent.

Third and related to the above is the increasingly gloomy economic picture brought about in part by the sharp decline of the currency and falling world oil prices. Though the president has not devalued the ruble officially, it has reached unprecedentedly low levels against the dollar and Euro. He has suggested refinancing the country’s growing debt. But the usual escape route of foreign loans from Russia, or aid from the International Monetary Fund is no longer available, forcing the president to seek new partners who are unlikely to offer very favourable terms. China at the head.

Fourth, the opposition has had opportunities to learn from past mistakes. In 2001 campaigns to come up with a unified candidate took place too late to have a major impact (2001). In 2006, they were diluted by divisions that resulted in two competing candidates (Alekssandr Kazulin and Aleksandr Milinkevich in 2000). And, if one wishes to go back further, this also happened in 1994. In the 2010 campaign the plethora of candidates stymied any real possibilities of convincing the electorate that valid alternatives existed.

today the rift between President Vladimir Putin and Lukashenka seems even wider

Fifth, in 2010 at least three of the candidates made direct overtures for Russian support for their campaigns, and attained some success until a rapprochement between Lukashenka and President Dmitry Medvedev a little over a week before the vote took place in Belarus ended these hopes. Such moves presupposed that Russia was getting weary of Lukashenka. And today the rift between President Vladimir Putin and Lukashenka seems even wider. Some Russian leaders have expressed open frustration with the apparent lack of support from Minsk for
Russia’s response to Ukraine’s Euromaidan.

Despite these obstacles, which might daunt a president in a more democratic environment, Lukashenka is actually more popular today than he was in 2010. The ostensible dilemmas for the incumbent president are actually beneficial in terms of his reelection—admittedly, one is not speaking here of an open election on an equal platform. At the same time they weaken his rivals, who have struggled to find viable policies on which to mount a concerted and united campaign.

Lukashenka’s Advantages

Let us take the five above “problems” in turn.

First, Lukashenka’s age and time in office is translated in official parlance into valuable experience. Who else, he asks, could be entrusted with office at such a critical time in the state’s short history? Of course, he might step aside, but only if he is critically ill or suffering from dementia? Besides, he adds, it is even necessary to raise the pensionable age because of the fall in numbers of the working age population. Moreover, to resign at a difficult time would lead, he states, to accusations of cowardice. Therefore Lukashenka must stay and fight on. What else could be expected?

Second, the directionlessness is actually advantageous. What could be more dangerous at the current time than a radical reform platform that would likely entail wage cuts, closure of unprofitable factories, and opening national industries to foreign control? Why must Belarus commit itself to the Eurasian Economic Union or European Union when it can remain on decent terms with both entities, its membership of the former merely token compliance to the wishes of Putin? Hasn’t the policy of vacillation and flip-flops worked so far? Who can tell where Lukashenka will move next?
Lukashenka even suggests that Belarusians themselves are to blame for the crisis.

Third, the country’s economic plight can be blamed on world events and problems. It is simple to argue that they are external to Belarus. Though to some extent this attitude is partially offset by the recent firing of Prime Minister Mikhail Myasnikovich and other officials, it remains in place. Lukashenka evades responsibility. He even suggests that Belarusians themselves are to blame for the crisis by abandoning their own currency and attempting to purchase dollars, a cowardly action deserving of scorn and condemnation.

Fourth, the opposition is neither united nor rejuvenated, despite repeated attempts to come up with a formula for unity. One reason for this is the thoroughness with which the state repressed opposition leaders—less directly after the 2010 presidential elections, which solicited international attention, than in 2011 and 2012 when it took extreme steps to ensure the eradication of its “enemies,” particularly among the young.

Fifth, there is no Russian route available today for the opposition, a time when a state-fostered national sentiment has come to the fore. Belarusians are unclear whether in the Donbas conflict they support the Ukrainian side or the Russian, but they are much more certain when it comes to the survival of their own country. The 23 years of the Republic of Belarus have come to mean something, however national identity might be defined. And like Ukraine’s Leonid Kravchuk in 1991, to some extent, the president has purloined the opposition’s insistence on the national integrity of Belarus, albeit alongside nebulous statements about the “sacredness” of the Russian people and their “oneness” with Belarusians.

**Another Five Years?**

The claim that under Lukashenka, Belarus has attained a form
of national integrity is false, but it has had some impact. At its height it has persuaded even some western observers to identify the nation directly with Lukashenka. It is a tunnel vision that overlooks his failings and ignores other aspects of Belarusian political and cultural life. It also conveys the image that he alone is standing, defiant, against imperialist and predatory Russia while the EU dithers.

The people see what they are meant to see, however narrow and distorted that vision may be. And it is why we have not seen the last of Alexander Lukashenka.

David Marples, special to Belarus Digest

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The Unwanted Economic Union in Exchange for Money – Digest of the Belarusian Economy

The main economic events for October in Belarus revolve around Russia: the ratification of the Eurasian Economic Union, the continued fighting over the re-export of banned European foodstuffs to Russia, and, finally, an argument over Russia’s oil tax manoeuvre.

Russia’s actions, both political and economic, further complicate the situation with the Belarusian economy, which is exhibiting subpar growth for the third year in a row.
Ironically, its troubled economy is forcing the Belarusian government to seek even more assistance from Russia.

**Eurasian Economic Union and the Oil Tax Manoeuvre**

The complicated economic relationship with Russia was front and centre in news coverage during October.

As the Belarusian Parliament was contemplating the ratification of the Eurasian Economic Union (EEU) trade pact, Russia threatened the economic stability in Belarus with its [oil tax manoeuvre](#). Under the terms of their bilateral agreement, Belarus has to pay an oil export tariff into the Russian state budget for an oil refinery product produced using Russian oil and that is destined for export.

Before signing the EEU agreement in May, Belarus negotiated a $1.5bn discount on its oil tariff payments for 2015. But afterwards Russia de facto annulled this preferential deal with its oil tax manoeuvre, a move which partially replaces the oil export tariff with an oil extraction tax. Instead of saving $1.5bn in 2015, Belarus would have to pay basically the same amount back to Russia, effectively eliminating much of the income it hoped to bring in.

Belarus has zero interest in Eurasian integration unless Russia is going to pay for it

The disappointment surrounding the Russian ban on EU foodstuffs, which turned out to be not as profitable for Belarus as it had hoped (in particular, [TIR business has suffered](#) and the potential for re-exporting goods was significantly lower than expected), this tax manoeuvre has Belarusian society and the government questioning its choice of integration projects.

Just days before ratifying the trade pact, Russia made a promise to compensate Belarus for the oil tax manoeuvre,
though how much it plans to offer has not been specified. Despite these issues, this conflict made one thing clear (and Lukashenka later spelled it out during a press-conference for the Russian regional media) – Belarus has zero interest in Eurasian integration unless Russia is going to pay for it.

Growth Still Slow as the Russian Economy Stagnates

In January-September 2014 the Belarusian GDP has grown only 1.5 per cent. The expected gains from the Russian EU food import ban did not materialise in August or September – the food processing industry is still stagnating, witnessing a 1.9 per cent decline in output.

But the other branches of the economy are experiencing decline as a result of the shaky economic situation in Russia. The production of goods traditionally exported to Russia – for example, machinery, transport vehicles or consumer goods like TV sets or refrigerators – has declined substantially.

Exports of these investment goods (machinery etc.) have also dropped due to the high level of economic uncertainty and a lack of financing in Russia, which is itself a result of declining levels of investment. An additional factor affecting the overall economic environment is the devaluation of the Russian rouble, which makes Belarusian goods relatively more expensive in Russia.

The exchange rate factor drives down consumer good exports as well. Moreover, it puts additional pressure on the Belarusian rouble, and the National Bank is already considering whether or not to increase the tempo at which the national currency is devaluated.

Trade, and, in particular, retail remains the main driver of growth in the economy. Retail is developing dynamically due to both the partial liberalisation of the sector and to a high level of income growth. However, as real incomes slow down, retail is slowing down as well. Over 2014 the real income
The worsening economic situation in Belarus, ironically, forces it to look for more financial support from Russia. Belarus still needs financing to repay its loans in 2014 and 2015.

Russia is currently facing financing constraints itself, given the sanctions its largest banks are dealing with. Nevertheless, it promises to help, but with strings attached, of course.

On 21 of September 2014 Russian Prime Minister Dmitriy Medvedev during a visit to Minsk emphasised that Russian corporations are hoping to privatise several Belarusian state enterprises. The enterprises in question are, among others, the truck manufacturer MAZ, the electronics company Integral, military equipment procuders MKTZ and Peleng, and the nitrogen fertiliser manufacturer Grodno Azot.

While experts and international organisations, including the IMF and WB, have long advocated for the privatisation of these enterprises, the sale to Russian state corporations would only bring about modest increases in efficiency at best.

**A Surge in Bitumen Exports**

Bitumen sales schemes are starting to replace the old solvent
sales schemes of 2012. Bitumen is a semi-solid that is extracted from heavy crude oil during the refining process and is more commonly known for being used in asphalt. In 2014 Belarus will still be required to make oil export tariff payments for exporting oil refinery products made from Russian oil. It turns out, however, that certain kinds of bitumen are not on the list of refinery goods.

.exports of bitumen are disguising exports of other refined oil goods in an attempt to avoid paying export tariffs

In the first quarter of 2014 the exports of bitumen from Belarus increased by 182%. Moreover, according to official statistics the production of bitumen is two times lower than its export figures. From this, one may deduce that the exports of bitumen are disguising exports of other refined oil goods in an attempt to avoid paying export tariffs.

The scale of the operation so far has fallen short of the solvents smorgasbord of 2012. The Russian side has already expressed its concerns and initiated the creation of the working group to investigate the issue. Thanks to the oil tax manoeuvre, the bitumen scheme will become irrelevant in 2015, and Belarusian refineries will have to find other ways to survive.

Kateryna Bornukova

This article is a part of a joint project between Belarus Digest and the Belarusian Economic Research and Outreach Centre (BEROC)
Belarusian and foreign analysts examine Belarus' peace efforts, the role of oil in the Eurasian Economic Union, challenges of post-Soviet education and other topics.

**Belarus and the Eurasian Economic Union: Only about Oil?** – The German Economic Team Belarus (GET Belarus) analyses the benefits of Belarus' participation in the Eurasian Economic Union in its first English-language newsletter.

The experts believe that the main benefit for Belarus is related to the oil trade with Russia, which is of high importance to the country. In 2015, Belarus will be able to keep half of the export duties on oil products in the country (USD 1.5 bn, or 2% of GDP). In the past, Russia received the entire amount.

**Belarus’ Peace Effort and a Likely Response of the West** – Grigori Ioffe breaks down positive and negative implications of the August 26th Minsk summit devoted to the crisis in Ukraine. The summit signifies Minsk's slow but steady progress in its relations with Europe, according to the author. He argues that current geopolitical situation will allow Belarus to achieve a true breakthrough.

**Lukashenko and Poroshenko: Friends of Convenience? The BELL No. 3(45)** – Authors of the latest issue of The BELL analyse the implications of the new developments in Belarus-Ukraine relationship. In the first article, Yauhen Krasulin argues that these relations are based on self-interest and were to be
expected, countering the popular notion that the rapport between Lukashenko and Maidan-promoted leaders signals a change of course by Minsk. In the second article, Aliaksandr Aleshka reviews the benefits of Belarus-Ukraine strategic cooperation.

**Belarusians and Solidarity: Potential is There, but That's Nothing to Do with Me** – Belarusian Journal examines whether Belarusians are a cohesive nation; how to raise the level of solidarity in the Belarusian society; whether international solidarity is important for civil society in Belarus. The article was written to support the civil society and political prisoners in Belarus.

**Belarusians try out a new language: their own** – Christian Science Monitor analyses signs of revival of the Belarusian language. After the years of being overshadowed by Russia and the Russian language, Belarusians are keen on learning their native language to assert their country's identity and culture apart from neighbouring Russia. For many young people speaking Belarusian became cool. Lukashenko himself raised eyebrows when he gave a rare speech in Belarusian in July, close to the date of Belarus’ Independence Day, which some analysts felt was a political signal.

**If you want to be a millionaire, go to Belarus.** Opendemocracy.org offers a grim overview of life in Belarus. According to the article, if you want to return to the Soviet Union – just go to Belarus. Service is terrible, living standards low, internet access restricted, civil society non-existent – but there is an incomparable feeling of safety and serene calm; and lots of excellent vodka and good tasty food to go with it. What more could anyone want?

**Twenty Years in the Making. Understanding the Difficulty for Change in Belarus.** The article of Tatsiana Kulakevich in East European Politics & Societies analyzes the dynamic of pro-democracy protests in Belarus through the prism of social
movements literature and such concepts as framing, political opportunity, and mobilising structures. It argues that weakness of the mobilising structures and framing processes at times when political opportunities presented themselves in Belarus resulted in an absence of large-scale protests and a failure to sustain the development of social movements in the country. At the same time, Belarus cannot be considered as being in a static or retrogressive state since transnational flows characteristic of a globalising world have exposed people to wider flows of information, providing them with counterframes and resulting in a modest growth in the numbers of protesters and a change in the preferences of the Belarusian population.

**The modern university as an imagined community: European dreams and Belarusian realities.** The article of Mark Johnson and Pavel Tereshkovich explores various aspects of modern Belarusian national identity through an analysis of two connected case studies, the development of the flagship national university, Belarusian State University (BSU) in Minsk and of the European Humanities University (EHU), a private institution founded in Minsk in 1992 with international funding. EHU was then forced into exile by the Belarusian regime in 2004, and has operated since that time in nearby Vilnius, Lithuania. It highlights various dimensions of Belarusian national identity, from a neo-Soviet and authoritarian populism, to a more primordial or organic conception of nationalism, to a more European and cosmopolitan ethos of liberal education.

**Freedom of associations and status of non-commercial organisations** in Belarus for the second quarter of 2014 is released by the NGO Assembly and Lawtrend. Authors argue that legislative changes pertaining to registration of NGOs could have become the main factor of positive trends. They conclude, however, that the actual conditions for new organisations' registration did not change substantially. Monitoring includes
the list of new registered organisations, among which sports non-profits are still the majority.

80% of Belarusians Do not Know How the State Budget is Made and Spent – BIPART project concluded based on the results of the latest IISEPS poll conducted in June 2014. Regionally, the highest awareness is represented by the residents of Mogilev (27%) and Gomel (31.2%). Only 10.2% of Minsk residents said they knew how the Belarusian budget is used. According to the poll, this information is either unavailable, unclear, or just uninteresting for Belarusian citizens.

Ice Hockey Championship, Joining Forces Against Western Sanctions? – Belarus State TV Digest

The Ice Hockey World Championship have dominated the news coverage on Belarus' Channel 1. Journalists regularly report on the games, but also praise the event's organisation.

The official celebrations carried out on Victory Day, held annually on 9 May, were another popular topic. The Belarusian head of state answered questions from journalists during the commemorative event, including questions about the Eurasian Union and combating corruption.

Journalists also regularly covered the current developments in Ukraine. While commenting on the referendum in Donetsk and Lugansk, one journalist remarked that Western
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Western Military Forces to Stay in Estonia? ‘Spring storm’ with its 6,000 officers, NATO military drills, was recently launched in Estonia. The military exercises take place in areas close to the border with Russia, notes the report. Poland and Denmark have sent their own fighter jets over Estonian airspace to protect it. After the drills, an American command will remain in Estonia until the end of the year, he concluded.

‘A Symbolic Meeting in Moscow’... a day before Victory Day. The coverage noted that Victory Day remains a sacred anniversary for every former soviet republic. "60 years ago [we stood] together against fascism, today again together we deal with [new] challenges and threats", the reporter states, commenting on the meeting of five leaders of the CIS countries in Moscow.

The heads of states of Russia, Belarus, Kyrgyzstan, Tajikistan and Armenia gathered in Moscow to discuss security issues, but also in preparation for the Eurasian Economic Union Agreement that is soon expected to be signed.

Belarusian state TV showed President Vladimir Putin stating that "from time to time nationalism rises here and there" and commented that the case of Ukraine showed the consequences of irresponsibly conducted politics.

Alexander Lukashenka criticised those who diminish the importance of the Soviet nation. Lukashenka and Putin discussed also the developments taking place in Ukraine, but also how to challenge sanctions together.

Commemoration of Victory Day in Ukraine. Reporting on Kyiv, state TV noted that this year there was no traditional Victory Day parade in the country. The report continues on to state
that tension can be felt in the air. The state authorities placed flowers on the main Tomb of the Unknown Soldier moment and a special service took place throughout the nation's churches. Only Donetsk held a parade with war veterans that proceeded through the city.

Referendum in Donetsk and Lugansk. State TV reports that the Ukrainian authorities did not recognise the results of the referendum. The authorities also argued that fewer people took part in the elections in reality as the supporters of federalisation claim. In the opinion of journalist covering the story, it is impossible to confirm its results as "both foreign and Russian observers have ignored the referendum".

The coverage also points out that according to the Ukrainian Constitution the status of particular regions cannot be decided by a local referendum alone. "Nevertheless, the Ukrainian authorities once again have announced their readiness to conduct a dialogue with the east", the report continues. Sergey Lavrov, the Russian Minister for Foreign Affairs, argues that Kiev should start talks with the Donbas.

Is Ukraine on the Brink of the Civil War? Journalists cited the French Minister for Foreign Affairs, Laurent Fabius. In his opinion to solve the conflict in Ukraine, it is necessary for Russia, European Union, US and Kyiv to all be involved in the negotiation process.

At the same time, the International Monetary Fund stated that the Ukrainian economy had the worst economic indicators when compared to its neighbouring Eastern European countries. Over the last 20 years the GDP of Ukraine has not seen noticeable growth. The IMF expects that Kyiv will immediately change its economic policies and increase its prices for electricity and utilities.

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Victory Day: Lukashenka Speaks to Reporters. After the official part of the celebrations had concluded, the head of the Belarusian state answered questions from Russian and Belarusian journalists.

Were all the controversial issues regarding the Eurasian Union resolved? Lukashenka emphasised that all sides had reached agreement on all the outstanding issues. Where there were still controversial issues where disagreements existed, bilateral agreements were reached.

Will the sanctions on Russia have implications on Belarus' economy? Lukashenka pointed out that the countries should be mobilised and react to the sanctions by increased production on their internal markets. "First of all, we should move production to our own companies, pay them well for their work and live as well as Germany", he stated enthusiastically. "Then nobody will talk about economic sanctions. We will be self-sufficient", he continued.

Has the head of state already started a political campaign or is his combat on corruption an honest act? Lukashenka replied that he started his electoral campaign already back in December 2010 after he won presidential elections. The problem of corruption remains valid today and requires attention from the state. He continued by explaining the governments recent struggles with increased levels of bribery.

"If you will not vote for me..." "I will not be offended", he stated. The person who would replace him, should not, however, go about destroying what has already been established.

The Belarusian Parliament. Several laws were recently passed in the Parliament. One of them is an amnesty law that was announced in connection with the 70th anniversary of Belarus' liberation from the German-fascist occupiers. The amnesty law is proof the humanitarian nature of the Belarusian state according to the reporter providing the
Further, they mentioned that around 2,700 prisoners who have proven they are rehabilitated will be released on this occasion. Amnesty will include the under-aged, pregnant women, pensioners and the disabled, provided that they did not commit any serious crimes.

Belarusian MPs have also passed a law on ‘Belarusians Living Abroad’, which seeks to embrace 3.5m members of the Belarusian diaspora. The law envisages means of getting support for various activities in the spheres of culture, education, and tourism.

**Talk Show on ONT ‘Pozicija’** The central issue discussed in the course of the programme was Belarusian hospitality and the attractiveness of Minsk to foreigners arriving to watch the World Ice Hockey Championships. Among the programme's guests were the representatives of the police, a Belarusian movie director, Russian hockey fan clubs but also foreign hockey fans.

All agreed that there was a high level of organisation surrounding the championships. One guest noted that the ‘honesty of Belarusians’ distinguished the event from when it was held in Helsinki.

62% of viewers of the talk show voted via text message that they are sure that foreigners will again come to Belarus after the hockey championships are over.

Belarus Digest prepared this overview on the basis of materials available on the web site of Belarusian State Television 1 (BT1) and ONT. Freedom of the press in Belarus remains restricted and state media convey primarily the point of view of the Belarusian authorities. This review attempts to give the English-speaking audience a better understanding of how Belarusian state media shape public opinion in the country.
Lukashenka’s State of the Nation Address: Top 5 Messages

On 22 April President Lukashenka delivered his annual address to the nation and parliament. The “phantom” of Ukraine stood behind almost every part of his speech. During his annual address, Lukashenka made some impressive, even revolutionary, statements.

He called on Belarusians to unite in the face of external threats and demanded the punishment of those who speculate on the rights of Russians in Belarus. He devoted most of his time to discussing corruption and suggested economic reforms as a means of taming corruption and improving the nation's economic performance.

In closing out his address, Lukashenka declared a rather tough position on the ongoing Eurasian integration project.

Uniting the Nation

Aliaksandr Lukashenka began his annual address in quite an alarming way. He called on the nation to unite in protecting its independence in the face of instability in Eastern Europe.

“I am addressing you in difficult times. The surrounding states have gone into motion: Ukraine is boiling, the Russian Federation is trying to elevate its overall historical status. State borders are being shifted in front of our eyes. [...] We must defend our most precious value – the independence of Belarus”, said Lukashenka.
He added that Belarus remains calm and uninvolved in any external conflicts. However, “we have reasons to worry”. He did not specify those reasons but offered three components for preserving the country’s independence:

1. the nation should stay united;
2. it should learn lessons from its own and others’ mistakes;
3. it should have a clear vision of a future that will unite the young and the old.

The proposal to affirm national unity sounded most unusual. Lukashenka, of course, never argued for a national split but his policies regularly exclude any kind of compromise with the opposition. This time, however, he emphasised the need for a dialogue that will help them to avoid radicalism and a societal rift.

With an obvious reference to the Ukrainian crisis, he added: “society has to demonstrate tolerance towards a diversity of opinions and intolerance to any revolutions. We are tolerant of any opposition as long as it is constructive”.

**Russians’ Rights in Belarus and the Russian Language**

Continuing to draw parallels with the situation in Ukraine, Lukashenka commented on “some speculations” about the violation of the rights of Russians in Belarus. He called it complete nonsense stating that Belarusians have the same blood as Russians, which, in his opinion, makes any discrimination impossible.

Lukashenka warned Russia against "privatising" the Russian language

The president also claimed that no other country in the world demonstrates such a caring attitude to the Russian language and the Russian culture at large as Belarus does. He even warned Russia against "privatising" the Russian language” as,
in his view, “it is ours as well”.

In a slightly contrasting manner, he then stated that “we are neither pro-Russian, nor pro-Ukrainian, nor pro-Polish – we are Belarusian”. He added that Belarusians would live on their own territory and would decide for themselves what unions to enter.

Finally, Lukashenka demanded that law-enforcement agencies “immediately eradicate any speculation about violations of Russians’ rights in Belarus”.

**Corruption**

The issue of corruption occupied a central place in the address. The amount of time that Aliaksandr Lukashenka devoted to it suggests that he is learning his lessons from the Ukrainian crisis, which, in his words, happened because of the corrupt Yanukovych government.

Lukashenka several times emphasised that the levels of corruption in the two countries are incomparable and that the Belarusian authorities have very harsh anti-corruption policies. To demonstrate this, he spent about half an hour discussing recent stories of high-ranking bureaucrats being arrested on corruption charges.

After that, the president offered three very progressive recipes against corruption that independent experts had been discussing for many years.

First, he suggested that the functions of the state, including the law-enforcement bodies, be limited. Second, he stressed the need to live within one's means: the less subsidies and public financial assistance government-owned companies receive, the more it helps to fight corruption. Here Lukashenka even promised to depart from his long-standing policy of so-called state paternalism. Third, the president spoke of raising the status of civil service and, in
particular, increasing salaries there so as to minimise the incentives for taking bribes.

**New Belarusian Economy**

The economic part of the address offered some rather revolutionary ideas.

Lukashenka stated that he viewed his choice of socio-economic model in the 1990s as neither a mistake nor a great success. In his opinion, the country did not have any other alternative at that time.

It sounded like an excuse for the fact that the Belarusian economic model is turning less competitive and lagging behind the economies of other East European countries that went through reforms in the 1990s and 2000s.

Then Lukashenka started talking about a new Belarusian economy: “It is high time we enhanced our economic policy, in a quiet and evolutionary way but without delays or hesitation”. He suggested three targets:

- Development of the internal market: about 70% of the economy depends on foreign trade, which, according to Lukashenka, makes the country too vulnerable to external shocks.
- Improvement of the system of governance: the state should not support inefficient companies.
- Stimulation of competition: like a real free marketeer, Lukashenka concluded that competition works as the main engine of economic growth.

These points do not necessarily indicate that Aliaksandr Lukashenka has changed his old anti-market beliefs. Some clarifications that he provided even seem to imply quite the contrary: for example, the internal market idea most likely originated from a desire to curb imports. However, the very fact that during his address he extensively employed a free
market rhetoric is itself of interest.

**Eurasian Integration**

Before the Q&A session President Lukashenka limited the issue of Eurasian integration to a few formal remarks. But when an MP asked him about the prospects for the Belarusian economy after the launch of the Eurasian Economic Union in January 2015 Lukashenka made quite a strong statement.

He said that he would sign the founding treaty only after the removal of all limitations and exemptions from the free trade regime was concluded: “if you want to sign the treaty on the economic union today and lift these limitations in 15 years, as Putin suggests, then we will sign the treaty in 15 years”.

He reminded Belarusians that Russia had promised to resolve these issues but then changed its position, which excludes any possibility of a real union emerging. In Lukashenka’s view, after the failures of the Commonwealth of Independent States and the Union State of Belarus and Russia, the people want real progress. “If we want to totally embarrass ourselves then let’s not sign it”, he added.

This straight statement suggests that the summit of the Eurasian troika in Minsk on 29 April will see some really tough negotiations.

To sum it all up, Lukashenka tackled many issues in his annual address. They varied from serious and highly relevant to sometimes humorous. He even lectured the nation on recipes for a healthy diet. And judging by the discussion visible in social media, the president’s recommendation not to eat potatoes with meat (and eat potatoes with fish instead) resonated the most among the population.

Perhaps, this is due to the humorous and generally positive connotation of the recommendation. The rest of the speech appeared to be too alarming.
A visit by Lukashenka to Kazakhstan and economic integration within the Eurasian Union dominated the state television news last week. Belarusians could watch the head of state discussing the modernisation of Belarus and its plans for further optimisitic co-operation with Astana.

Uladzimir Makei, Belarusian Minister for Foreign Affairs, called to remove sanctions against Belarus at the recent UN General Assembly in New York. The statesman also argued for a new world order, where countries with medium-sized economies would have a say.

The state media did not miss the release of Vaclav Klaus' latest book. The former president of the Czech Republic contested the European Union and called for the Czech Republic to leave the organisation.

**Domestic Affairs**

*Lukashenka softens on the exit fee at the Dazhynki harvest festival.* Belarusians shopping abroad concerned Lukashenka and he was upset by the nearly $2bn which the country's budget lost over the past year due to Belarusians shopping abroad.

However, at the Dazhynski press conference he spoke in a more soothing tone and explained the grounds for a system of taxation of the Belarusian shoppers who make purchases abroad. Lukashenka believed that if Belarusians would purchase more
Belarusian goods rather than those in Poland and Lithuania, the economic situation would be far different today. Thus the authorities will introduce some measures, but only on a temporary basis.

Lukashenka could not understand why Belarusians wanted to support the economy of the European Union by buying their clothes and other goods. "You have strong connections with German clothes… They are neither Polish nor Lithuanian clothes. but the whole European Union trades with us through them," he pointed out.

**Belarusian economy is in the hands of Belarusians.** The head of state discussed the possibility of the future devaluation of the Belarusian ruble, stating that it would depend upon the market’s demand and supply mechanisms. Lukashenka explained: “the instruments [to avoid devaluation] are in your hands. If you will run out in the morning to various currency exchange kiosks and buy foreign currency, it will weaken our economy.”

**Belarus-Kazakhstan: do they want to change the geopolitical map of the world?**. Belarusian state television widely covered the "very warm meeting" of Lukashenka with the head of Kazakhstan, Nursultan Nazarbayev. According to journalists a more open or congenial partnership is inconceivable as both sides are very close to one another.

Maintaining positive relations with Astana are not an accident, as Kazakhstan remains an attractive partner as "one of the most powerfully developing economies" in the region. Belarusian state TV evaluated the current joint projects of both countries and drew attention to the exceptionally positive trade turnover with Astana. Both countries are seriously considering selling their goods on the Asian and EU markets. Lukashenka even pointed out a readiness to build logistic centres on the border with the EU.

**New electoral code to the local elections.** The state TV noted
that the next local elections will be held already in accordance with the amended electoral law. Journalists noted that the parliament had already approved them. The new law states that all candidates will need to disclose any criminal record that they may have and declare their source(s) of income. Journalists also pointed out the changes in the regulations on campaign funding. Now candidates will need to use private sources and will not receive state support.

**Foreign Affairs**

**Lukashenka on economic integration: it is necessary today.** During his visit to Astana, Lukashenka gave an official interview to the Kazakh state television KZ24.

The head of the state discussed at length Belarus' remarkably good relations with Astana. Neither of them are competing with each other and this co-operation has its advantages. Lukashenka underscored the importance of integration in general and integration within the Eurasian Union in particular. In his words, economic integration based on the free movement of people, goods, services and capital can help to avoid future potential economic problems that can occur worldwide.

However, the head of state disapproved of introducing a common currency at that stage. In his words, the member-states have not yet established any supra-national structures. “We should remain independent and sovereign states”, he emphasized.

**What is wrong with the EU.** State TV journalists also reported on a book by former president of the Czech Republic, Vaclav Klaus, which will come out soon. They noted that the Czech politician was calling for his country to leave the European Union as Brussels interferes too much in the politics of their member-states and thus it undermined the principles of freedom and sovereignty of each nation. Journalists also noted that during his tenure as a prime minister, Klaus argued that the
entry of the Czech Republic into the EU was like a marriage of convenience.

**Minsk is calling for a new world order and removal of sanctions.** In his speech at the UN General Assembly, Belarusian Foreign Minister Uladzimir Makei, called for the establishment of a new world order. In his diagnosis, humankind has not kept pace with civilisation, and thus new mechanisms were needed.

He also lobbied for the removal of the sanctions from countries such as Belarus and Cuba, who “strive to form strong nations”. At the same time, the international forum should consider more seriously countries with medium sized economies. These countries de facto guarantee a multi-polar world order which may bring about stability and justice.

Makei argued that today states should focus more on issues such as migration, energy and employment, all carried out through global partnerships. Journalists noted that Belarus had already initiated a successful project against slavery and human trafficking.

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Washington lifted their sanctions on a Belarusian company. What does it mean for the future of Belarus-EU relations? Further integration in the post-Soviet space and Minsk's role in the process, living standards of Belarusians are among the most discussed in the independent and state Belarusian press.

**Will Brussels relaunch a dialogue with Minsk?** Business-oriented “Belarusy i Rynok” weekly comments upon the report of the Lithuanian expert, Justis Paleckis. It reports some of his recommendations for the European Parliament, including preparation of the roadmap for Belarus with certain requirements for the political and economic modernisation. The Palackis’ report has already roused some controversy among other European experts.

For example, the Finnish expert, Anais Marin, did not agree with Palackis’ argument on an improvement in the human rights situation in Belarus in 2012. In her words, ‘the situation with human rights in Belarus remains stable-negative, and there are no grounds for its improvement’.

**American love instead of anger?** Daily “Narodnaja Volia” commenting on the recent lifting of sanctions on the company ‘Belttekheksport’ by the Americans, asks if the European Union will act in kind as well. The newspaper cites Alexander Klaskouski, who thinks that the inefficiency of the sanctions could be one of the causes of Washington’s decision. The Belarusian companies clearly managed to avoid the sanctions, for example by functioning under different ownership.

The commentator notes, however, that the lifting of the
sanctions does not mean that the US has softened its attitude toward Minsk. According to Klaskouski ‘Brussels would like to change its attitude toward Minsk, but only if the authorities will meet minimum expectations for that matter release of the political prisoners’. The commentator noted that the EU is interested in withdrawing a high-ranking politician from the ‘black list’. Uladzimir Makei, Foreign Minister, could be such a needed ‘messenger who could freely travel across Europe and establish contacts’.

**Increase in average wages: more bottles of vodka.** Daily "Komsomolskaya Pravda" informs that the wages in Belarus since 2000 increased by up to six times. The newspaper, however, decided to check what this has meant for ordinary Belarusians. In terms of housing it shows that nothing has improved, because ‘now, as in 2000, Belarusian needs to work for three months for one square km of the house’. It may seem as a rather positive message, because in 2007 Belarusians needed to work for a year and a half to purchase one km square of the house.

The second indicator of living standards, the price for a bottle of vodka, proves that life became better for ordinary Belarusians. Since the average Belarusian earned more in April, he could afford 113 bottles of the alcohol. In comparison, in 2000, an average wage allowed to purchase only 41 bottles, almost three times less than today. As the newspaper notes, the more expensive vodka, the more difficult life will become.

**Cheaper oil and gas from Russia?** "Nasha Niva" reports that in Lukashenka’s words, by 2015 Belarus should pay for oil and gas according to priced for Russian domestic consumers. The newspaper notes that decrease in the prices 'would lead to the significant increase of the pace of the Belarusian economy and the average income'. It also adds that 'it would also strengthen the already exceptional dependence of Belarus upon Russia'.
People's referendum – the new initiative of the opposition. "Belorusy i Rynok" reports on the initiative that three political organisations want to undertake next year under the name of ‘National Referendum’. Initiators of the campaign are ‘Tell the Truth’, Belarusian Popular Front and the movement ‘For Freedom’. Valerii Karbalevich commenting for the newspaper underscored that the ‘referendum by the opposition's initiative is impossible to carry out. But it is possible to have a political campaign called ‘National referendum’’. He adds that providing that the campaign will interest large groups of society, then it might bring some political benefits for the opposition.

Official press optimistic about post-Soviet integration. The government run "Sovetskaya Belarus" states that May turned to be ‘energetic’ due to the recent development in the post-Soviet integration. The newspaper comments that Minsk became the platform for further discussions about the CIS, Customs Union, but also about their evolution into the Eurasian Economic Union. The newspaper noted that ‘the three: Belarus-Russia-Kazakhstan clearly are increasingly gathering centralisation energy’.

In the words of Alexander Lukashenka: ‘We agreed that the Union will be economic and these political problems that subsequently will interfere the Union’s development, will be gradually resolved’. Lukashenka also added that ‘One cannot limit ourselves only to economic co-operation, because it also requires actions in the sphere of politics, diplomacy, defence’. According to "Sovetskaya Belorusiya", other CIS countries watch closely the process that develop between the Union of Russia, Belarus and Kazakhstan.

Importance of Ukraine for the Customs Union. State daily “Zviazda” comments that the recent Customs Union summit did not meet all the expectations and the leaders decided to postpone a number of issues. According to newspaper, the invitation of the Kyrgyzstan and Ukraine ‘was intriguing’. In
particular, participation of Ukraine in the integration processes seems crucial. The country has not yet joined the union, but became the observer.

Zviazda underlines that ‘In Russia they perfectly understand that the Eurasian integration without Ukraine cannot be complete and so this is important for the Union not to let Ukraine remain aside’. The newspaper notes also on the close co-operation between Belarus and Kazakhstan ‘despite the thousands of kilometres separating the countries’. According to the newspaper, Astana due to reserve from extensive export of its natural resources, might be interested in investing into modernisation of the Belarusian companies. That may lead to deepening the mutual economic co-operation within the very Customs Union but also will enable to launch new projects on a wider scale.

Belarus Leads the CIS in 2013

Belarus assumed the presidency in the Commonwealth of the Independent States (CIS) on 1 January 2013. This is the international organisation which was intended to replace the Soviet Union in 1991.

For politicians who formed their vision in the Soviet Union, the CIS remains a substitute of the former empire, although the organisation's existence serves little practical sense. Minsk is now officially the capital of the CIS.

Despite the marginal importance of the organisation, the presidency of Belarus will be a serious challenge for the Belarusian diplomacy.
For the twenty years of its existence, the CIS has achieved only the creation of a free trade zone and the impression of the integration in the post-Soviet space. Citizens of the Commonwealth member states move within its territory with no visas. The states also signed a series of documents which provides some useful opportunities for ordinary people, such as recognition of higher education certificates.

The Kremlin, as the integration initiator, has turned away from the CIS and has embarked on its own projects, such as the Customs Union or the Eurasian Union.

The history of the Soviet Union’s substitute

The leaders of the Belarusian Soviet Socialist Republic, Russian Soviet Federative Socialist Republic and Ukraine signed an agreement on 8 December 1991 in Belavezha Forest, in Western Belarus. According to the agreement, the Soviet Union had ceased to exist and the CIS was to take its place. Post-Soviet politicians created the Commonwealth of Independent States in order to prevent the Soviet Union from further downfall.

In the opinion of former president of Azerbaijan, Abulfaz Elchibey, today "Russia uses the CIS as a means of trying to preserve the old empire in a new form, inventing various mechanisms for that." The Kremlin retains the organisation. However, according to Elchibey, the CIS does not exist de facto anymore, as "a collective farm with no rights cannot possibly exist”.

Officially, nine countries are CIS member states: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, and Uzbekistan. Two more countries – Ukraine and Turkmenistan – participate in the organisation in fact, but they have not ratified the CIS Charter – the necessary document for participating countries.

Georgia was a CIS member until 2009. However, on 12 August
2008, four days after the Russian-Georgian war started, President Saakashvili announced that Georgia was leaving the CIS. The Georgian Parliament supported this decision unanimously on 14 August.

The Baltic States never joined the organisation as they did not want to have much interaction with the former Soviet Union.

Belarus used to be one of the most developed Soviet republics. Belarus has promoted the re-integration of the broken Soviet Union since the very beginning. In the early 90s, the idea of re-integration was popular among Belarusians. Belarus used to be one of the most developed Soviet republics. Therefore, Belarusians wanted to get back to the “Soviet family” in order to improve their material situation. In 1991, 82.7 per cent of Belarusians supported the preservations of the Soviet Union at a referendum.

**Belarusian plans for the presidency**

On 5 December 2012, at the CIS summit in Ashkhabad, the Council of CIS State Leaders officially announced that Belarus would take the presidency of the organisation in 2013. The presidency rotates according to alphabetic order.

Belarusian officials will lead the sessions of the organisation’s common bodies for the next twelve months. Official Minsk will organise the work of the most important CIS institutions: the Council of State Leaders, the Council of Governments’ Heads, the Council of Foreign Ministers and the Economic Council.

Belarus has not presented the concept of its presidency or an events plan. According to Lukashenka, “The Belarusian presidency will work under the motto 'Integration for the benefit of the people: strengthening of good neighbourhood
relations, development of ecological cooperation, expansion of cultural dialogue”. The CIS member states will pay special attention to ecology and protection of the environment.

The participating countries of the union pay fees in accordance with the indices of their participation in the CIS GDP. The CIS budget remains tiny for an integration union. The member states will spend only $22m for the functioning of the organisation in 2013.

According to BELTA news agency, in 2013 the Belarusian authorities plan to facilitate the development of a common informational field as a means of increasing inter-cultural and inter-ethnic cooperation, in the framework of the CIS. The MFA Spokesman Andrei Savinykh says that the Belarusian presidency will be concentrated on humanitarian issues: “The issues that are close to the people and influence their lives the most”.

During the year of the presidency, the Belarusian authorities will promote the development of common radio and television for all CIS countries, such as Radio Mir. Although the Belarusian MFA promises to promote the CIS work to the new qualitative level, we should not overestimate the importance of the Belarusian presidency. In 2013, the CIS member states are not going to sign any significant economic or political documents.

The CIS election missions pays no attention to numerous violations and falsification at the Belarusian elections.

Today, the most important feature of the CIS for Belarus lies in its international observation of elections. The CIS election missions pay no attention to the numerous violations and falsifications at Belarusian elections and always recognise them as democratic.

Senseless organisation
The CIS has no supra-national competencies. The structure mostly performs the function of a discussion forum for sharing opinions, not for taking decisions. Even the summits held in the framework of the CIS are considered simply opportunities to organise more important bilateral meetings simultaneously.

Back in 1994, the states signed an agreement for the creation of a free trade zone within the CIS. The agreement never came to life. There appeared a new agreement instead, which came into force this year. The former Soviet republics walked the path to the creation of a free trade zone for more than 20 years. Today, more and more politicians have realised that the CIS will not become a great integration project.

The Kremlin understands this. This is why Putin created the Customs Union and is on the way to creating the Eurasian Union. The CIS became the reason for solving many integration processes in the post-Soviet space.

The main difference between the old integration structures like the CIS or the Union State and the new integration projects lies in the economic domain. According to Putin’s plan, the integration of economies is the key to Russian prevalence at the post-Soviet space. If the Belarusian regime does not change its policy, Belarus will inevitably become a part of this new empire.

Ryhor Astapenia

Belarus Economy: More Stable
But Still Fragile

International agency Standard&Poors in April increased Belarus' credit rating from B- (negative) to B (stable). The agency observed the signs of financial stabilisation in Belarus economy. Although inflation is still very high, it began to slow down, the pressure on devaluation of Belarus ruble decreased and foreign reserves increased.

Just in September 2011 Standard&Poors reduced Belarus sovereign rating from B to B- due to its foreign currency crisis which started in March of that year. Even though the stabilisation measures were undertaken in Belarus' economy, the question remains – for how long will the stability last and what factors can undermine it?

Postponed Loan

At the end of February Belarus was supposed to receive the third tranche of the loan ($440m) from the Eurasian Anti-Crisis Fund, but it did not come. The fund management explained that it wants to be sure that Belarus continues to implement tight monetary policy and finally starts the process of privatisation.

According to the terms of the loan agreement, approved in June 2011, Belarus has to cut monetary financing of state programmes to a maximum 4% of its GDP. The government had actually cut the financing of these programmes, but it is still at a level of above 4.5% of GDP, as seen in the statistics for 2011. And the Fund’s representative states that it is still too high an indicator. Another condition – the privatisation of state property has not even started. Belarus has to privatise state enterprises to an amount that will total of $2.5bn this year.

The concerns of the Eurasian fund leadership about the
macroeconomic stability of Belarus' economy are justified. The Belarusian government has again started to mention a monthly salary increase target of $500. This is a minimum level which has to be reached this year. It is not an entirely unexpected rhetoric before parliamentary elections which are to be held in September later this year. The trend in salary increases over the past 17 years indicates that substantial increase occurs mainly before important political events (elections or referendums).

$500 average salary reached by monetary measures (money printing) before presidential elections at the end of 2010 became a trigger for the foreign currency crisis which started in March 2011.

The $500 average salary reached by monetary measures (money printing) before presidential elections at the end of 2010 became a trigger for the foreign currency crisis which started in March 2011. It led to the threefold devaluation of Belarusian ruble and hyperinflation that reached 108.7% at the end of 2011. It eventually resulted in a decrease of the average salary to only $250.

**Factors of Stabilisation**

But since then the Belarusian government has been able to stabilise the economy to some extent. The sale of the last part of the gas transportation company Beltransgaz to Gazprom in December 2011 brought Belarus another $2.5bn and more advantageous prices for gas. In 2011 Belarus paid $265 per 1000 m$^3$ of gas, but in 2012 the average price will be only $165.6. Thanks to this deal its rather poor foreign currency reserves increased from $4.631m (in November 2011) to $7.355.1m (in December 2011). At the moment the total foreign currency reserves consist of $8.085m (April 2012). This gives the government the opportunity to intervene on the foreign currency market and regulate the exchange rate if necessary.
Another positive impact on Belarus' economy was its increase in export of oil products during 2011. As a part of Common Economic Area and Custom Union from 2011 Belarus government was able to negotiate duty free supply of crude oil to Belarusian refineries. According to trade statistics Belarusian exports increased by 62.6% in 2011 and amounted to $41.1bn. In January – February 2012 Belarus was even able to reach a trade surplus to the amount of $838.6m.

Two thirds of the export is generated by oil products, and it increased by 39.2% to 15.6m tons in 2011. From this 12.3m tons were sold to the European Union. The trade surplus with European countries was $6.5m. Exports in this direction in general increased from 29% in 2010 to 38.5% from 2011. At the time when diplomatic relations with European Union are on the worst possible level since Belarus' independence, trade statistics indicate that it remains one of the main economic partners for Belarus and export market for Belarusian oil products.

A positive trend can be observed and with Belarusian ruble which stabilised and even appreciated in March this year. Stabilisation of its exchange rate came as a result of tight monetary policy and very high refinancing rates – at the end of 2011 it was 45%. That was a necessary measure to cope with inflation, but it has obviously paralysed the lending market as commercial banks derive their interest rates from the refinancing rate set up by National Bank.

But the stability of exchange rate will not last long if the government continues to stimulate economic growth by monetary measures.
loans. As a result, the money supply increases and creates pressure on the Belarusian ruble's devaluation and leads to an increase in inflation.

Beginning in February the government began to decrease the **refinancing rate** – first to 43%, then to 38% (in March) and to 36% (in April). It should be reduced to 19-20% till the end of the year. In a competitive and efficient economic system the refinancing rate normally should not be higher than 10%. But in Belarus any achieved macroeconomic stability is not accompanied by the necessary reforms to increase the competitiveness of the economy.

In this case the risk of the Belarusian ruble's devaluation and high inflation still remains. The Belarusian government plans to reach 5-5.5% GDP growth this year and maintain inflation at 19-22%. But according to IMF and World Bank experts these results can hardly be reached. In its recent analysis of Belarus' economy, the World Bank forecasted 38% inflation to the end of the year and a GDP growth of not more than 4.5%.

**Loans Only for Reforms**

The present stability of Belarus' economy has been achieved mainly by foreign borrowing, lower energy prices and positive trends in oil exports. Instead of implementing real reforms Belarus' government continues to seek external financing. The **foreign debt** has already reached $34bn, or 62% of the GDP. It increased by 19.8% from last year. This year Belarus has to pay off $1.2bn in interest for external debts and another $3bn of its other main external debt – which comes is amount that is half of its current foreign currency reserves.

The IMF will not start any new programs with Belarus' government before considerable steps in reforming the present economic system are be made
The head of National Bank of Belarus Nadezhda Ermakova has already announced that Belarus would apply again to the IMF for another stabilisation loan. But it is very unlikely that the fund would agree for another program with Belarus. The official representative Natalia Kolyadina left Belarus at the beginning of April. She noted that IMF will not start any new programs with Belarus' government before the considerable steps in reforming the present economic system are be made. The presence of political prisoners and rather tight diplomatic relations with the European Union is also a serious obstacle for another IMF stand-by loan.

The rather fragile stability of Belarus' economy can be easily undermined if the government attempts to reach high economic growth with monetary tools instead of reforms. If this happens, Belarus can fall even into an even more severe crisis, one from which it would be even harder to get out of.

The recent delay of the third tranche of loans from the Eurasian fund only indicates that even Russia is also no longer eager to support Belarus' economy in the absence of real reforms.

Volha Dudko

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Belarus Trapped Into Eurasian Integration

The Ambassadors of Poland, Lithuania and Sweden have returned to Minsk and their colleagues are on the way to the Belarusian capital. It seems that EU-Belarus relations have broken the deadlock, but they remain difficult and the EU has few carrots to offer its restive authoritarian neighbour. Unlike countries
like Moldova and Armenia, Belarus is increasingly integrating into the Eurasian Economic Union without any serious interest in European integration.

The reason for this is oil and its financial dependence on Russia. If the EU wants to establish democracy in Belarus, it should offer a comprehensive package of assistance in reforms. But even if Belarus decides to take European path, it will take at least 3-4 years to reach the same level of relations as exists with Georgia or Ukraine. And there are plenty of obstacles: from WTO membership to an obligation to secure permission from the yet to be established Eurasian Commission.

**Changed Environment**

The planned return of all EU ambassadors to Belarus marks the end of the worst EU-Belarus political conflict since it regained its independence. Swedish Foreign Minister Carl Bildt says that the EU is ready to restore the status-quo in its relations with Belarus that existed before the notorious presidential election in December 2010.

return to the year 2010 is no longer possible because Belarus increasingly integrating into the new Eurasian Economic Union

Unfortunately such a return to the year 2010 is no longer possible because Belarus is increasingly integrating into the new Eurasian Economic Union advanced by Russian president-elect Vladimir Putin. He offered significant discounted oil and gas supplies to Belarus which helped the country survive the economic crisis that began in April-May 2011. Recently Standard & Poor's has even revised the outlook on Belarus from "negative" to "stable" despite pessimistic forecasts of local analysts.

Russia managed to obtain the main Belarusian gas pipeline transportation system (Beltransgaz) in return for assistance
in hard times. Moreover, approximately 70% of all enterprises in Belarus are still state-owned. The country plans to privatise 133 of them with the total amount of $2.5bn this year. And guess who will own most of them soon? That's right — their big neighbour to the east.

**Locked In the Eurasian Union**

At the same time the majority of Eastern Partnership countries, in particular Moldova, Georgia, Armenia and Ukraine, conduct negotiations with the EU under the Association Agreement and Deep and Comprehensive Free Trade Area (DCFTA or Free Trade Agreement).

The Free Trade Agreement is key to understanding why Ukraine does not want to participate fully in the creation of the Customs Union with Russia, Belarus and Kazakhstan. This type of agreement implies progressive liberalisation of bilateral trade through lifting tariff and non-tariff barriers. It also extends to legislative and administrative regulation of trade. As a result these countries should approximate to the EU standards as closely as possible, as if they were Norway or Switzerland.

The Free Trade Agreement is the main "carrot" of the Eastern Partnership as it opens the EU Single Market for Eastern Partnership countries. Their advantages are obvious, because the EU GDP by purchasing power parity is almost seven times greater than the GDP of the Russia-led Customs Union.

And economic integration is more beneficial with prosperous countries, not with oil-rich backward Russia and Kazakhstan which want to protect themselves from foreign competition. If Ukraine is a member of the Eurasian Economic Union, it would have to pay high levels of compensation for its trade partners outside the Union as the country has lower import tariffs under its WTO obligations.
a member of the Eurasian Economic Union does not have a right to conduct separate trade negotiations with any countries.

What is more important, a member of the Eurasian Economic Union does not have a right to conduct separate trade negotiations with any countries. Instead, it should ask for permission of the supranational Eurasian Economic Commission and take into account economic interests of all member states. It means that in practice Belarus can not launch negotiations with the EU on Free Trade Agreement without Russian consent even if all political prisoners are free.

Why Belarus Chose Eurasian Integration?

petrochemicals amount to more than 65% of Belarusian export to the EU countries.

As many other Eastern Partnership countries, Belarus has at least 25% EU share in its trade balance. As opposed to them, petrochemicals amount to more than 65% of Belarusian export to the EU countries. Only Azerbaijan surpasses Belarus with its 99.5% share of oil and gas in export to the EU. Whether it is a coincidence or not, both countries are authoritarian and are not WTO members.

However, while Azerbaijan has its own oil, Belarus mostly relies on Russian oil producers. In January 2012 its export to the EU increased fourfold from $439m to $1.74bn as compared with the previous year due to favourable conditions of oil supplies from Russia.

EU-Belarus relations on a political level may make Russia angry and thus put an end to its oil paradise.

But the significant improvement in EU-Belarus relations on a political level may make Russia angry and thus put an end to its oil paradise. Benefits from reduced import tariffs in trade with the EU will not cover losses from a decrease in the
amount of oil refined in Belarus. The reason for Eurasian integration is very simple: Belarus is badly dependent on Russia.

Belarusian Authorities Live For The Moment

Another reason for choosing the Eurasian integration is the unwillingness to undertake any significant reforms. Belarusian authorities would like to maintain the existing political and economic status quo for as long as they can. Most of the Eastern Partnership countries on the contrary intend to improve their administrative and legislative systems according to European standards in order to attract foreign investments.

It clearly illustrates the dilemma that the Belarusian ruler faced in 2010. On the one hand, he could follow the path of modernization and liberalisation. It was a sound strategy, but it demanded large sums of money and could have caused social and political instability. On the other hand, he could restore deteriorating relations with the Russians and reinstate their generous support in exchange for promises of future concessions.

Finally, Lukashenka prefers short-term benefits over long-term advantages and is unwilling to invest money in the democratic future of Belarus.

To Support Reforms In Belarus

Belarusian authorities are forced to rely on Russian support to survive, but Russia may soon get control over all strategic assets in the country for cheap. Thus participation in the Eurasian Union poses a threat to Belarusian sovereignty. But it also has at least one positive consequence – Belarus will be forced to become a WTO member and this will consequently encourage authorities to make economic reforms.

Russia does not guarantee that it will keep its oil and gas discounts for a very long time. Sooner or later Belarusian
authorities will face the prospect of the collapse of their economic model. At that moment the EU should be ready to offer Belarus a comprehensive package of financial and technical assistance in reforms and enter into a dialogue with authorities and businessmen on the future development of the country.

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**Political Prisoners in Belarus: How to Break the Vicious Circle**

Former Belarusian presidential candidate Andrei Sannikov and his main campaign aide Dzmitry Bandarenka have been released from prison on the eve of the Christian Orthodox Easter. It looks like the first step in the de-escalation of the worst EU-Belarus conflict in history. It is likely that expectations of Vladimir Putin’s pressure after his re-election contributed more to the long-awaited release of these two political prisoners, rather than the EU sanctions.

At least 13 opposition activists still remain in prison and almost nothing prevents Lukashenka from taking new hostages for his dialogue with the EU. The EU needs a long-term and consistent strategy based on the support of Belarusian civil society and increasing contacts with Belarusian officials and businessmen. This will contribute to the long-term transformation of the country much better than sanctions alone.

What Finally Prompted Lukashenka to Release Them?
Lukashenka pardoned Sannikov and Bandarenka nine days after he had promised to do it against the background of deteriorating relations with the EU. The EU-Belarus relations reached a deadlock in February-March when all EU ambassadors have been recalled to Brussels in a move of solidarity with their colleagues asked by Belarusian authorities to leave the country.

Consequently the EU imposed a new set of sanctions against the Belarusian regime, including several Belarusian businessmen and their enterprises. Lukashenka banned dozens of his opponents from leaving the country in a response to that.

Now it seems that the war will soon be over. Soft-liners such as the Belarusian Foreign Minister Sergey Martynov and Head of the Presidential Administration Vladimir Makey have already made clear that Belarus wants to return to a dialogue with the EU.

**Russian Pressure Is the Most Effective Stimulus**

However, it is hardly possible that these developments were caused primarily by the EU sanctions. Their cause may be found in the Putin’s return to power in Russia and the end of construction of a new Russian oil pipeline BTS-2. Russia built it specially to lessen its dependence on transit countries such as Belarus and Ukraine. As a result, Belarusian revenues from oil processing and transit may soon drastically diminish.

Vladimir Putin is likely to intensify pressure on the Belarusian ruler to privatize Belarusian enterprises, especially oil refineries in Mozyr and Polotsk and the Belarusian potash producer Belkali in Salihorsk.

Recently Moscow launched a trade war against Belavia, the biggest Belarusian airliner, to exclude it from making internal flights to Russia. Lukashenka does not expect any significant positive developments on the Eastern front. He has
already got what he wanted from Russia and now it is time for him to pay the bills.

Intensive development of the Eurasian Union and its supranational institutions may put an end to his unlimited authority. If Belarus has to coordinate its macroeconomic policies with the Eurasian Economic Commission, Lukashenka’s economic model may collapse.

Besides, Lukashenka has a lot of other urgent issues to deal with. Belarus will soon need to repay its IMF loan of $3,8 bln and it does not have free financial resources. The EU and Western financial institutions could help solve this problem, but Lukashenka should improve relations with them at first.

**Capricious Nature of the Belarusian Regime**

However, this release is not the end of the conflict. The Head of the EU External Action Service Catherine Ashton called on the Belarusian authorities to release all other political prisoners unconditionally. At the same time Lukashenka evidently hopes for some sticks or at least positive assessment of his recent actions by the EU. For example, he expects that the EU Council will not widen sanctions against his officials on 23 April.

If something goes wrong, this rapprochement may end as quickly as it unfolded last autumn. In September the Bulgarian foreign minister Nikolay Mladenov visited Minsk to offer the improvement of Belarus-EU relations. Lukashenka agreed to release 21 political prisoners, but then stopped to do it when Europeans disclosed the information about negotiations with him.

If there is no further deterioration of relations, EU ambassadors may return to Minsk next week and all remaining 13 political prisoners may be released before the September parliamentary election.
But another problem may impede the speedy release of prisoners: Lukashenka said that he would free only those of them who had written appeals for his pardon. Though he released former presidential candidate Alexander Kozulin without such an appeal in 2008 and Belarusian legislation allows to do this.

The most important thing to bear in mind is that Lukashenka may take new hostages for his dialogue with the EU. He has already resorted to this option during the last presidential election when dozens of opposition activists have been jailed on charges of mass riots. A long-term solution is needed.

How to Break the Vicious Circle?

Some Belarusian experts, such as a scientist Andrei Schumann, think that political prisoners would be granted freedom earlier if there are no EU sanctions. Others, like exile editor of web site charter97 Natalia Radina, are confident that Lukashenka understands only the language of force. It is hard to guess who is right.

In March, the EU started negotiations with most of its Eastern partners, particularly Moldova, Georgia and Armenia, on the free trade area (DCFTA) agreements. They intend to promote bilateral trade and modernise these countries in accordance with the EU acquis. This looks like a sound strategy, because the more region is Europeanised, the less authoritarian options Belarus will have.

The EU should invest more in the Belarusian economy and its presence in Belarus and should create its lobby inside the Belarusian regime. It should be using its contacts with pro-European Belarusian officials and businessmen who have influence on Lukashenka. Belarus is the unique case for Eastern Europe, so the EU may offer a unique incentive for its democratic future such as the prospect of EU accession if certain conditions are met. Something similar happened in the
case of Kosovo and Serbia.

European politicians should keep demonstrating their Belarusian counterparts what they lose when they continue to build such an odious regime in the centre of Europe. And of course, the EU should strengthen its support for the Belarusian civil society and youth people, liberalise the existing visa regime and offering new education and job opportunities.

Finally, it is not only the EU that should boost the Belarusian transformation. The leading role in the democratisation of the country belongs to its people and those in Belarus who are working with them.

New political prisoners will appear in Belarus sooner or later. This will happen again and again until Belarusian society understands that it should change the way the country is run. But it may take significant time and requires great patience.

Only changes in the Belarusian society can help make political prisoners in Belarus a thing of the past.