

Belarusian Economy A Month Before the Elections – Digest of the Belarusian Economy

In the last month before the Presidential elections, the Belarusian economy continues to disappoint. Although decline in GDP has slowed, the -3.5 per cent growth has failed to impress. The Belarusian rouble continues to depreciate as oil prices plunge.

The authorities have promised further liberalisation of the economy in the near future. For now the authorities are tightening the rules and raising taxes. But a relatively low inflation rates gives hope to the possibility of macroeconomic stabilization and future cooperation with the IMF.

Recession slows down

After a dramatic fall in July Belarusian GDP “recovered” in August where it slowed to a decline of -3.5 per cent. The decline of agriculture decreased to only -1.4 per cent in August, which helped to revive GDP. The rest of the economic sectors, however, have not shown any positive signs.

The only sector with a positive rate of growth is still the retail trade, but the future of this sector is murky, as real incomes continue to plunge, and the average wage in August was only \$427.

The improvement in the financial state of enterprises represents a significant piece of good news. Outstanding debts to foreign companies declined in July for the first time in 2015. The same is true for received external loans. But this improvement in the accounts may stem from the devaluation of

the Russian rouble only, and so not reflect any real improvements.

In September Alexander Lukashenka once again demanded that the level of foreign firm debt be decreased. Usually these debts arise when our exporters deliver the goods with deferred payments, underlining the importance of this problem for many state enterprises.

Liberalisation tomorrow, higher taxes and stricter importing rules today

At the end of September, the government pre-announced once again the new changes to Directive No.4 liberalising regulations for private entrepreneurship. The promises includes equal opportunities for all types of enterprise ownership; stricter legal rules for the cessation of property rights; and a three-year moratorium on the negative changes to tax legislation.

But before the moratorium, the authorities have decided to have one last increase in taxes. Given the difficulties in tax collection, the tax authorities are looking to close all tax loopholes. The proposed changes to the Tax code increase personal income tax from the standard 13 to 16 per cent for those that can legally be caught evading taxes. There is also the introduction of a new tax on gambling winnings and a substantial increase in taxes on artisans.

At the same time the government introduced stricter importing rules. According to the hellishly numbered Resolution No. 666, almost all imported consumer goods have to go through the sanitary controls. This is true for each entire batch and not for only one specimen. As often happens with legislation in Belarus, the Resolution did not clearly define the rules and

is still subject to change. But it will clearly have negative effects on importers and will raise the price of imported goods.

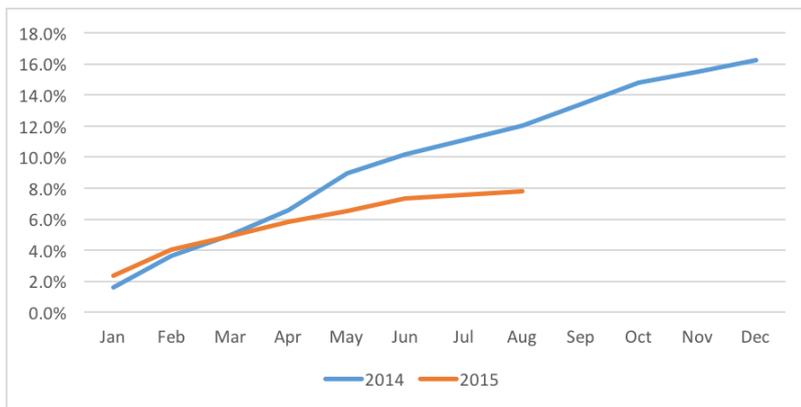
The National Bank keeps inflation low

In August-September 2015 the Belarusian rouble suffered another blow, depreciating from 15,248 roubles per dollar on the 1st of August to 17,691 on September 30. The decline in the oil prices caused the depreciation of the Russian rouble, which eventually passed through to the Belarusian rouble. No wonder that the [National bank struggles to revive the trust in the rouble](#).

However, despite another round of depreciation, inflation remains in single digits. In August 2015 prices increased 7.8 per cent compared to December 2014. This figure represents a big win for the National Bank. In the previous years half of the currency depreciation transferred into price growth.

Given the multiple currency depreciation episodes in 2015, we could expect inflation of at least 25%. But the new policies of the National bank managed to destroy the link between depreciation and inflation. The inflation rates in 2015 are so far lower than in 2014, when the exchange rate was stable (see Figure 1).

Figure 1. Inflation in 2014 and 2015, relative to December of previous year



Of course, relatively low inflation comes at a price. The “expensive money” policy and high interest rates put enormous pressure on the economy, making investments very costly.

Recently the vice chairman of the National Bank Taras Nadolny confirmed that the National Bank is not going to decrease the refinancing rate this year. On the one hand this decision makes the inflation forecast of 16 per cent by the end of the year realistic. On the other, the real rate of interest in this situation would be too high to make any kind of investment affordable.

IMF negotiations: will Belarus finally agree to reforms?

The first steps towards macroeconomic stabilisation in Belarus inspire hope for the future cooperation with IMF. On 26 September 2015 the head of IMF Christine Lagarde met with Alexander Lukashenka, presumably to discuss the possibility of a new \$3.5bn loan.

Of course, the IMF loan will come with strings attached. Belarus will have to finally reform its economy. The main steps are macroeconomic stabilisation (through the decline in direct lending and money printing), the cancellation of universal utility subsidies and the introduction of proper unemployment insurance and other forms of social support for the labour market.

If the Belarusian government and IMF agree on the terms, after the election the economy will go through some painful reforms, which are, however, necessary for future development.

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This article is a part of a joint project between Belarus Digest and Belarusian Economic Research and Outreach Center (BEROC)

Belarus – Why Visit?

Belarus Digest starts a series of articles on tourism in Belarus prepared by Nigel Roberts, a a UK-based freelance travel writer specialising in Belarus.

I first visited this extraordinary and much misunderstood country in 2001. I have returned many times since then to explore widely, initially working on sustainable development projects with families in communities blighted by the Chernobyl catastrophe.

Then from 2005 I was also researching material for my travel guide to Belarus, first published by Bradt Travel Guides in 2008. The latest (and third) edition reached the bookshelves earlier this year.

The first two editions have sold well, as does the third. I receive regular correspondence from readers around the world. More and more online resources showcasing Belarus appear regularly. There is clearly growing interest in the country as a destination for travellers. So what can the first-time visitor expect to find? What are the treasures that await?

Minsk 'Hero City'

For many (though not all), the jumping-off point is **Minsk National Airport**. Situated 40 kilometres east of the city on an extension of the M2 motorway, access to the capital via bus, cab and express train is good. The airport itself has recently undergone significant refurbishment, as befits its status as the point of arrival and departure for all international flights.

Minsk itself was almost completely destroyed by the Nazis in World War II and was honoured with official recognition as 'Hero City of the Soviet Union' in 1974. After the conflict, Stalin ordered it to be rebuilt in a manner that would stand testament to the might, resilience and ingenuity of Soviet communism. It remains one of the best examples of post-war Soviet Utopian urban planning, with cavernously wide boulevards, grandiose brutalist architecture and wide-open spaces, where the eye is always drawn up and to the horizon.

Amongst my favourite places are **Pobedy Park**, now home to the splendid and recently relocated **State Museum of the Great Patriotic War**; **Nyezalyezhnastsi Avenue**, the city's main thoroughfare, ideal for promenading and people-watching, where a number of major squares are also to be found; and the **National Library**, an eye-catching and most unusual building of unique geometric proportions.

Perhaps my favourite place of all is the Central Bookstore (Tsentralnaya Knigariya) at 19 Nyezalyezhnastsi Avenue, where a myriad of glossy pictorial guides, maps, postcards, posters and calendars make excellent souvenirs to take home. And for a taste of high culture, take in a glorious opera or ballet performance at the **National Academic Bolshoi Opera and Ballet Theatre of the Republic of Belarus**.

Outside Minsk: Palaces, Castles and Sombre Remembrance



For those with a yearning to see more of the country, a number of day trips from the capital are readily accessible. Around 90 kilometres south-west is the stunning 16th century **Mir Fortress**, former home of the 'big baron' Radzivili family, and one of the country's four UNESCO World Heritage Sites. 30 minutes further south-west by road and 120 kilometres from the capital lies another, the delightful historic settlement of **Njasvizh** with its beautiful moated palace, also dating from the 16th century and also formerly in the ownership of the Radzivilis.

If you have stamina for a long day out, the 14th century castle ruins at **Novogrudok**, 40 kilometres north-west of Mir, are also worthy of a visit. Then for a significant clue to understanding the collective national psyche of the country today, visit the **National Memorial Complex at Khatyn**. Only 75 kilometres from Minsk, this deeply affecting and doleful memorial was constructed on the site of a former village that was razed to the ground in the spring of 1943 and its inhabitants brutally butchered. A visit here is a must-see.

Brest 'Hero City'

Not all visitors will arrive by air of course, and for those

who travel by train the most likely point of entry into the country will be in the south-western corner, at **Brest**. It's a real border town of energetic hustle and bustle, as well as a significant staging post on the Berlin-Moscow railway line and the main intercontinental highway from east to west. The most important site of interest is the **Hero-Fortress**, a strategically crucial complex featuring extensively in a number of historical brutal conflicts, most notably under siege on the first day of Operation Barbarossa, Hitler's invasion of the Soviet Union in 1941. Tales of heroism and privation abound here.

Brest is the location of my favourite restaurant in the whole of the country, **Jules Verne** on Gogolya Street. It is also the gateway to the wonderful **Byelovezhskaya Puscha State National Park and Biosphere Reserve**, another UNESCO World Heritage Site and home to several hundred European bison. It is also possible to visit Grandfather Frost in his own natural environment ...

Hrodna

Situated in the north-western corner, Hrodna (also spelled as **Grodno**) is an elegant city of grace and charm. It has one of the largest concentrations of Roman Catholic worshippers in the country and is a centre of Polish culture. The region abuts Poland and the western border of the country has moved significantly east and west at times in history. Catholicism dominates much of the architectural heritage, but the striking **Drama Theatre**, which would not be out of place in a scene from Tolkien's Middle Earth, is also worthy of note.

Elsewhere

The lovely city of **Vitebsk** in the north-east is regarded by many as the cultural capital of the country. The much-loved **Slavyansky Bazaar** festival is held here every summer, and

there are numerous sites of interest connected with favoured son **Marc Chagall**. The oldest town in all Belarus, **Polotsk**, is located within this region.

So Why Visit?

The sites mentioned here are a tiny taster of all there is to be seen and experienced. From my first visit 14 years ago, the single feature that has dominated all my time here continues to be the unconditional hospitality of ordinary people. Sometimes wary at first, with familiarity comes trust and a willingness to openly share. It's the country's greatest treasure. I invite you to see for yourselves.

Nigel Roberts

Nigel is a UK-based freelance travel writer specialising in Belarus

Why Belarusians Stay Away from the Belarusian Rouble

On 16 September a new regulation of the National Bank of Belarus on currency transactions came into effect. It forced all consulates in Belarus to suspend their activities for a few days in order for them to invent new ways of collecting payments from clients.

This is how Minsk attempts to limit the dollarization of the economy. Instead of fixing its monetary policy, the Belarusian government prefers to rely on administrative tools and introducing new restrictions on economic transactions.

These efforts will hardly increase trust in the Belarusian rouble, however.

The Story Of Continuous Devaluation

The Belarusian rouble has been depreciating dramatically throughout its history. Since regaining independence, Belarusians have experienced countless devaluations. The most severe devaluation occurred following the Soviet collapse in 1991. Since the USSR's authorities prohibited keeping international currencies, people remained unprepared for the hyperinflation of the early 1990s. This period wiped out most people's savings in just a few months.

Since then the Belarusian rouble has never been a stable currency. Although all the post-socialist national currencies depreciated greatly in the 1990s, many became internationally convertible and relatively stable in the 2000s. For example, the Polish zloty appreciated by 10 per cent in 2001-2015. But the success story does not concern the Belarusian rouble which devalued fifteen-fold against the US dollar at the same time (from over 1,100 to under BYR18,000 per \$1; figure 1).

Most devaluations of the Belarusian rouble were sharp and unexpected. Only in the past seven years have the Belarusian authorities shocked society three times.

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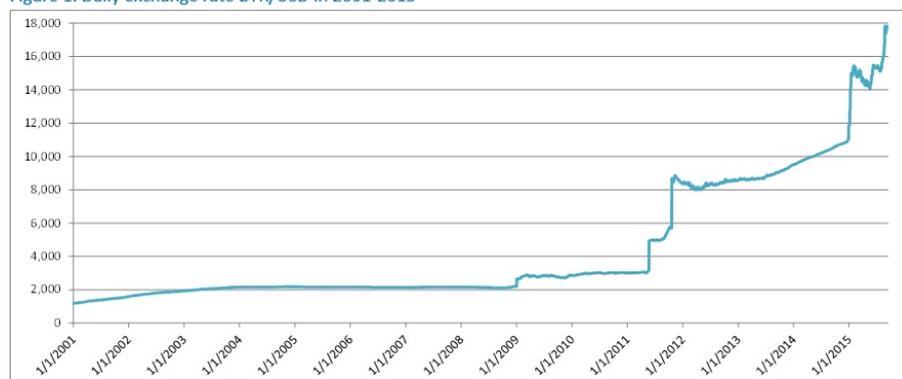
First, on [New Year's Day of 2009](#) it devalued the currency by 20 per cent. The unpleasant surprise forced many people to buy what they could in anticipation of steep price rises following the devaluation. Since then Belarusians have always met the year-end with certain concerns.

Second, in 2011 [the internal currency crisis](#) changed the well-

being of Belarusians dramatically. Prior to that the president, the prime minister, and the National Bank of Belarus (NBB) systematically had promised that there would be no devaluation. Nevertheless, within a few months in 2011 the national currency devaluated almost three times, while consumer prices doubled throughout the year. Not surprisingly, Belarusians have become wary about any promises concerning currency stability.

Third, in mid-December 2014, following the 30-percentage devaluation of Russian rouble, the NBB introduced a 30-percent temporary tax on the purchase of foreign currency. Statistically the national currency remained unchanged for a few weeks until the new chief of the NBB, appointed on 27 December 2014, gradually cancelled the tax and devaluated the currency. Since the beginning of 2015 the price of US dollar in Belarusian roubles has risen by a half.

Figure 1. Daily exchange rate BYR/USD in 2001-2015



Source: the National Bank of Belarus

The Belarusian Rouble As Quasi-Money

Belarusian roubles have never served the role of money. An item is money when it serves four basic functions: a store of value, a unit of account, a standard of deferred payment, and a medium of exchange. The national currency has problems with the first three functions. This has led Belarusians to rely on foreign currencies.

First, the past 25 years have taught Belarusians to [distrust their national currency](#) and keep savings in dollars or euros. An average Belarusian household and firm puts 60-70 per cent of its deposits in foreign currencies. The structure of deposits illustrates the society and businesses disbelief in the future value of the Belarusian rouble. For comparison, in Poland only 20% of deposits are in foreign currencies.

Second, because of to permanently high inflation, Belarusians have got used to using dollars or Euros as a unit of account. Since 1990 prices have risen by tens or hundreds of per cent per year. That is why many firms and individual traders have preferred to price their goods and services in "hard currencies". In addition, counting in Belarusian roubles is very inconvenient due to the large numbers. For example, a new Apple MacBook costs around BYR30,000,000 compared to only \$2,000.

In the early 1990s, retailers "renamed" dollars to „conventional units"

When the officials banned foreign currency pricing in the early 1990s, the firms "renamed" dollars to „conventional units". So, when goes go to a bazaar it is easy to spot sneakers or other sport shoes sold for 50-100 conventional units. Until recently one could have used Onliner.by, the Belarusian alternative to eBay.com, to see price of a desired unit in conventional units. Only in late December 2014 did the authorities take Onliner.by off the Internet, refusing to allow it to return until it converted all prices in BYR.

Third, Belarusian roubles hardly serve as a standard of deferred payment. Frequently Belarusian businessmen, freelancer, and NGO representatives strike a deal in dollars and Euros. For example, one can rent a car or book a conference room in Minsk, and agree to pay \$200 to the owner. Since payments in foreign currencies are illegal, you pay the

equivalent amount in roubles on payment day.

A New Resolution Makes A Little Change

On 16 September the NBB passed resolution no. 515 which introduced amendments to the regulations on currency transactions. The resolution is a part of the NBB's de-dollarization policy. The resolution reduces opportunities for foreign currency transactions between firms as well as between firms and individuals. It makes little difference since most foreign currency transactions are already considered illegal.

The NBB announced the regulation a day before it came into effect

Unfortunately, Belarusian citizens have to pay for the authorities' incompetence. This law was passed without consultation with business representatives. The lack of a transition period for firms to prepare for the new regulation hits both the business climate and people's pockets.

The NBB announced the regulation a day before it came into effect. As a result, visa centres and some travel agencies stopped operating for two days in order to adjust their businesses to the new environment. On 18 September, most travel agencies, like Top-Tour, Tury.By, Sunrise Travel, began to accept consular fees in the national currency at the official NBB exchange rate plus 2-3 per cent. They shifted costs to their clients, who are now paying more money for the same service.

The new resolution of the NBB will not make much difference. Belarusians will invent other ways of how to avoid the restrictions. The only efficient way to increase reliance on the Belarusian rouble is to make it more stable. Until annual inflation hits two-digit figures, and significant devaluations

happen frequently and unexpectedly, the population will remain sceptical about the national currency.

So far the Belarusian regime's administrative tools remains helpless against the economy's dollarization. The monetary policy of forcing Belarusian roubles on people approach will not work until the NBB focuses on conducting conservative and reliable monetary policy.

[займ](#)

EU considers Lifting Sanctions, Putin's Proposed Airbase – Western Press Digest

Putin's announcement of a Russian air base in Belarus dominated western media in September. Western media see the declaration as further support of Russian expansion.

Other significant news: The EU might lift sanctions after Lukashenka freed 6 political prisoners. A decision may lift Lukashenka's travel ban and allow some Belarusian companies to trade with the EU.

Upon returning to Belarus former presidential candidate Ales Mikhalevich was briefly arrested for alleged provocations after the 2010 presidential elections. Another former presidential candidate, Mikalaj Statkievich, held an unauthorised rally in central Minsk denouncing the upcoming election as a "circus". All of this and much more in this

September edition of the Western Press Digest.

[Russia moves to establish air base in Belarus](#) – Deutsche Welle reported that Putin stated recently ordering the Defence Ministry to begin negotiations with Minsk over a Russian air base. Minsk stated it would not welcome the base. However, it is reliant on Russian energy, credit and already has Russian military facilities. This makes it unlikely Minsk will deny its building.

With the Ukraine crisis, the Kremlin estimates it needs to bind Belarus closer. Yet, for Valery Karbalevich “against the background of the Ukrainian crisis, the stationing of a permanent Russian military contingent in Belarus will upset the balances of forces and facilitate an increase in tension in the whole region”.

The air base, according to [EurasiaNet](#), has caused consternation among Belarusian elites. The Russian government has pushed the issue. It [published a document](#) alleging an agreement. It will be built near Babruysk in 2016. According to the agreement, Minsk cannot monitor the base, receive money for staging the base and Russia can put any weaponry on the base’s territory.

Sections of the [western media](#) believe that Minsk's delay could herald Russian intervention similar to Ukraine.

[European Union considers removing Sanctions on Belarusian Elites and Companies](#) – An article published by Reuters contended that with the release of 6 political prisoners; the EU is considering reducing sanctions on Minsk. EU diplomats are contemplating ways to reduce asset freezes and visa bans on Belarusian elites. Reuters contends that diplomats are planning freezing sanction renewal for a year. These could extend to Lukashenka. Diplomats are considering lifting trade restrictions on 25 Belarusian companies. However, the EU will retain sanctions on military elites and companies.

The Eurasian Union Contemplates Potential new Eurasian currency – Radio Free Europe/Radio Liberty raised the issue of a new Eurasian currency. Although it remains unlikely the Belarusian rouble will disappear soon, the new Eurasian currency story did the rounds this month in the western press. It first appeared in [March](#). But it is only now the name Altyn has appeared. The Eurasian Union has called to stop using the Euro and the dollar in foreign trade. Now it looks to create a common currency. The idea of creating the Altyn emphasises further Eurasian integration.

In other economic news, according to Reuters, the network provider Turkcell has stated that its Belarusian unit, Belarusian Telecommunication Network (BEST) is now debt [free](#).

Ales Mikhalevich Arrested upon return to Belarus – Deutsche Welle published an article that border guards arrested Ales Mikhalevich. He was an opposition figure who stood at the 2010 presidential elections. After a 5 year exile in the Czech Republic he decided to return due to the release of political prisoners “I want to live in Belarus, in my homeland. I want to be with my family. I always said that when all political prisoners are freed...I will return immediately”.

Yet on his return, border guards quickly arrested him at the Belarusian-Lithuanian [border](#). They released him, but told him not to leave Minsk. This is all the more bizarre as another opposition activist returned, but was not arrested. [Vyacheslau Siuchy](#) has vocally stated he will compete in the elections. Yet, unlike Mikhalevich he has not been arrested.

300 Opposition Activists Call to boycott the October Presidential Elections – A group of 300 demonstrators protested in central Minsk according to the Washington Post. They called for an election boycott. Mikalaj Statkievich, an opposition activist, held an unauthorised rally. Statkievich was only released from prison last month. But he called on Belarusians to boycott the upcoming presidential elections.

Other opposition activists, Anatol Liabiedzka and Uladzimir Niakliajeu called for a united opposition.

[Lukashenka Publishes \\$31,000 Income Statement](#) – Bloomberg published an article stating that for the upcoming elections Lukashenka submitted an income statement of only \$31,000 per annum. The statement does not mention houses or cars.

In other electoral news, 3 candidates other than Lukashenka registered with the central electoral commission on the final day of registration. Bloomberg contends that the Belarusian regime hopes this will create a [veneer](#) of democracy and appease the west.

[Minsk Residents defend a Blind Man](#) – An article and video posted by Radio Free Europe/Radio Liberty shows police dragging a blind man down some steps and banging his head on metal railings. Passersby intervened on the man's behalf. But police arrested him for being 'unkempt' and 'violent'.

Stephen Hall

Russian Airbase in Belarus: A Long Story With No End in Sight?

This month, the Kremlin intensified pressure on Belarus to agree to a Russian airbase on its territory. Last Saturday President Putin asked his Defence and Foreign Ministries to negotiate and sign the agreement on an airbase with Minsk.

The *Financial Times* noted that "Russia is moving ahead with plans to establish a military air base in Belarus." Yet Moscow

still needs to hammer out a deal with Minsk.

While the airbase does not change the regional military balance, it changes the relationship between Belarus and Russia. Minsk risks losing leverage over Moscow and will no longer look as a neutral party in the Russia-Ukraine conflict.

Minsk tries to delay the deal on the airbase and to change its terms. So far Moscow has only two technical facilities in Belarus, and the joint Belarus-Russian air defence system was only established after many years of delays and Russia having to take Minsk's demands into account.

Some Time, Somewhere, Something...

On 2 September the Russian government sent President Putin a draft agreement on the Russian airbase in Belarus. The week after, the draft was published. However, it left out some significant details. These include the location of the base and which military units are to be deployed there. Previously the two sides had only discussed stationing a regiment of heavy fighter jets near the Eastern Belarusian city of Babruysk.

An airbase agreement would ally it closer to Russia and strip it of much of its foreign policy autonomy.

Asked when the agreement would be signed earlier this month, Russian Prime Minister Medvedev said that the signing "should be comfortable for both the Belarusian and Russian sides." This could prove difficult. Minsk does all it can to avoid signing the agreement at a sensitive time of confrontation in Ukraine. An airbase agreement would ally it closer to Russia and strip it of much of its foreign policy autonomy.

Moscow however is determined to integrate Belarus closer. It is tired of [Minsk's refusal](#) to support the Kremlin's policies

in the former Soviet Union and of Lukashenka's deals with the West. So Moscow tries to place the Belarusian president in a bind, or as *Foreign Policy* put it, "Putin clips Lukashenko's wings with air base in Belarus."

Therefore, Minsk wants to sign the document either as late as possible, or preferably not at all. Moscow wants to sign it now.

No Change in Regional Military Balance

Dmitry Medvedev claimed that idea of establishing an airbase in Belarus began in 2009. "Back then we signed the documents on the joint protection of the borders of Belarus and Russia and the [joint air defence system](#). In fact, the agreement [on the airbase] implements those agreements."

That is an exaggeration. Those documents say nothing about a permanent Russian base in Belarus. Moscow decided to enhance its military presence in Belarus only in early 2013. In April 2013, it publicly announced plans to station its own airforce in the country. Back then, revealed details of official talks and expert comments indicated that the reason for such plans was the [weakened Belarusian airforce](#).

Indeed, by that time Moscow had doubts about [Minsk's ability](#) to protect the joint air border as agreed. Minsk which had inherited an impressive fleet of Soviet state-of-the-art military aircraft did not buy newer planes after independence.

[The situation](#) with obsolete Belarusian aircraft worsened in the 2010s because of financial constraints. By that time Minsk had no functioning heavy Sukhoi fighter jets at all. Earlier, in the mid-2000s, the Belarusian government due to a lack of funds had halted the modernisation programme of MiG-29 light fighter jets for ten years. This programme started again only

in late 2013 after Minsk realised that Russia [would not give](#) it newer aircraft.

A decade ago Minsk still had its own regiment of Sukhoi heavy fighter jets

Now Russia is going to send its fighter jets to Belarus. In terms of the regional [military balance](#) it means return to the situation of a decade ago. Back then Minsk still had a regiment of Sukhoi heavy fighter jets. Now Russia wishes to send its own regiment (of the same modernised Sukhoi airplanes) to Belarus.

Nevertheless, in the current tense atmosphere of Eastern Europe, Minsk will anyway face a possible backlash over the possible establishment of a Russian airbase. On Tuesday, Lithuanian Defence Minister Juozas Olekas warned that a prospective Russian airbase in Belarus would harm Minsk's relations with Lithuania, the EU and NATO.

How to Destabilise the Country?

The base will dramatically change relations between Belarus and Russia. It is, however, unlikely to create a threat of the "Crimea Scenario." One regiment of fighter jets lacks any means to prepare a Crimean-style intervention. In addition, according to the draft agreement the regiment shall be a part of the Single System of Air Defence between Belarus and Russia, hence Russian planes cannot operate without Minsk's consent.

Belarus is losing its military value for Moscow

But something more terrible than a "Crimean Scenario" threatens Minsk. Belarus is losing its military value for Moscow. Earlier, Minsk could boast of its [protecting Moscow](#) and ask for money. Now, Moscow is going to provide its

security itself, without its Belarusian ally.

The Belarusian government loses a major bargaining chip in negotiations with Moscow. In the future, for its financial support the Kremlin [can demand](#) from Minsk more assets and concessions. It already started to do so in the case of the airbase.

According to the military analyst Alexander Alesin, it was not a coincidence that Russia published the draft agreement on the airbase just as the [Russia-controlled Eurasian Stabilisation and Growth Fund](#) announced a possible loan for Belarus until the end of this year.

The airbase is a payment which the existing regime owes Russia for the right to keep dominating and ruling our territory

Of course, not everything is about money. Belarusian politician Yuras' Hubarevich insists, "Russian leaders indirectly help Lukashenka get reelected. The airbase is a payment which the existing regime owes Russia for the right to keep dominating and ruling our territory."

Meanwhile, Minsk faces another related problem too. Moscow wants Lukashenka to renounce his policy of seeking balance or even a neutral position in relations with Russia, Ukraine and western states.

Clearly siding with any side in the current confrontation between Russia, [Ukraine and the West](#) will mean for the Belarusian state reduced opportunities for foreign policy maneuvering, further deterioration of foreign trade and [increasing loss](#) of international legitimacy. It potentially also means [possible destabilisation](#) inside the country too.

The government understands the risks and tries to postpone and reshape the airbase agreement. After all, it succeeded in postponing for years the establishment of the Single System of

Air Defence between Belarus and Russia and managed to make it more convenient for Belarus.

The agreement on the airbase was also prepared already by October 2013 yet Minsk successfully procrastinated on it. The end of the airbase story remains uncertain, because Belarus' [relations with the West](#) are improving, resulting in the diminishing of Russia's opportunities to put pressure on Minsk.

Belarusian Milk Exports: Success in the East, Failure in the West

On 17 September, Alexander Lukashenka publicly explained to Vladimir Putin the process of milk production and to Nursultan Nazarbayev the functioning of the market economy. In this way the Belarusian state leader responded to critics who have questioned the quality of Belarusian milk.

Milk in Belarus plays a significant role in the economy, as the country ranks at 5th in the world milk market, and the President's Property Administration owns several dairy plants.

Despite the large scale of production, Belarus exports milk mainly to Russia thus rendering Belarus's position vulnerable to pressure. Moreover, Russian businessmen remain eager to privatise some Belarusian dairy factories.

Belarus tries to enter the European Union and other markets, but it still has problems with obtaining the necessary quality certificates.

Milk Country

It seems that nowhere else in the world do government elites have such close connections to the dairy industry as they do in Belarus. The President's Property Administration owns the largest Belarusian agricultural complex "Machulishchy," which is the biggest milk producer in Eastern Europe.

The rapid growth of the agricultural complex began in 2013, when [Viktar Sheiman](#), often called [the last soldier of Lukashenka](#), became the head of the President's Property Administration, the biggest state-owned business empire and the financial backbone of Lukashenka's regime.

According to estimates of the Belarusian web-site *Ej.by*, the *Machulishchy* conglomerate now produces more than 300 thousand tonnes of milk a year. This is twice the amount produced by the main producer in the Russian market, and three times the amount of the main producer in the Ukrainian market. The large scale of milk production in Belarus becomes more significant when considering that Belarus is a much smaller than Russia or Ukraine.

Milk production remains one of the biggest priorities for agriculture. Over 10 years Belarus increased its milk production from 4 to 6.5 million tonnes, and now it ranks fifth in the global trade of milk with 4% of the market. However, the export of milk has almost only one direction, which is to Russia.

Dynamics of the export of dairy production

Year	2008	2009	2010	2011	2012	2013
Dairy products export in terms of milk, thsd tons	2 614	3 390	3 780	3 815	4 136	4 484
Export share in milk production, %	42.0	51.5	57.0	58.3	61.1	67.4

Data: www.investinbelarus.by

Officials say that the government remains reluctant to subsidise the production of milk, like other sectors of agriculture. Although in practise, they do not deny that they have issued large loans for the modernisation of the dairy industry. As Andrej Jurkou, an expert in the field, says, "nobody knows how much budget money went to pay off the interest rates."

Despite the traditional [protectionism in agriculture](#), the Belarusian authorities allow businessmen to have shares in the dairy market. Currently, private entrepreneur [Yauhen Baskin](#) owns the largest farm for cows in Belarus. Milk producer "Savushkin produkt" remains one of the most efficient dairy companies and remains the most trusted brand in the industry. It belongs to [Alexander Mashensky](#), a businessman closely affiliated with the government. This shows that the Belarusian government sees a strategic development sector not only for themselves, but for the country at large.

Problems in the East

Dairy products are important for the Belarusian authorities. That's why Alexander Lukashenka took criticism of the Belarusian milk at the Forum of Regions of Russia and Belarus so personally. On September 17 at a panel discussion with Vladimir Putin Lukashenka told Nursultan Nazarbayev, Kazakhstan's president off, when he said that Belarusian milk is not actual milk, but rather a 'milk-drink.'

Lukashenka described the process of milk production in detail and stated that "Nazarbayev as a free market promoter should understand that if Kazakh consumers buy such milk, Belarus would deliver it to them."

Lukashenka directed his answer primarily towards Kazakhstan, while Belarus also has had problems on the Russian market for a long time. In 2009, Kremlin temporarily banned Belarusian

milk deliveries. Lukashenka won by promising to return customs controls on the Belarusian-Russian border and he refused to participate in the summit of the Collective Security Treaty Organisation. That conflict received the name the 'milk war.'

Then Alexander Lukashenka accused Russia that it wants to privatise a number of Belarusian dairy producers. But, according to him, Lukashenka said to the Russian government "goodbye, we will die, while drinking this milk, but the Kremlin will never put the question of privatisation in this way."

Later, in 2010 the Kremlin once again for a short time period imposed restrictions on the import of Belarusian dairy products. In 2014 Russian Prime Minister Dmitri Medvedev threatened Belarus with an anti-dumping investigation of potential subsidies in the dairy industry. So, milk always remains the focus of elites in Russia and Belarus.

Belarus Tears Open a Window to the World

The Milk war in 2009 forced Belarusian producers to think about other possibilities for milk export. Since that time, many Belarusian entrepreneurs have attempted to acquire the appropriate quality certificates to enter the European Union market.

Belarusian milk has failed to become successful in the EU market for three main reasons Firstly, the amount of bacteria and antibiotics in Belarusian raw milk remains several times higher than allowed by European standards. Secondly, EU countries have a protectionist policy in agriculture. Third, Belarusian milk lacks special features to compete with Western producers.

Export possibilities of Belarusian dairy to other countries,

besides the EU and the Eurasian Economic Union remain nonexistent, while New Zealand, the European Union, the United States and Australia confidently hold the lead in their markets.

Thus, Belarusian milk manufacturers have problems with the stable eastern markets, but at the same time they are incapable of solving their product quality issues. This situation blocks any possibility for fully fledged cooperation with the West and other countries. Belarusian milk in many ways resembles the general trajectory of Belarusian foreign policy.

What Do Belarusians Think, Forum Of Entrepreneurs – Belarus Civil Society Digest

Perspektiva organises a National Forum of Entrepreneurs to enable them to share opinions how they see their future in Belarus.

Fountain on Grushevskaya street in Minsk will be restored for the money of locals. The local residents decided to take the matters into their own hands and save the fountain by raising funds for its reconstruction.

The Office for European Expertise and Communications (OEEC) invites to a new debate under the series *What do Belarusians Think*. This time participants will be discussing gender issues.

Public Debates and Conferences

[Perspektiva organises a National Forum of Entrepreneurs](#) on 28 September. The Forum aims to present the *Perspektiva*'s policy proposals for 2015-2020 and enable entrepreneurs to share opinions how they see their future. Meanwhile, the head of a business union *Perspektiva*, that brings together individual entrepreneurs and small businesses, [Anatoly Shumchanka declares his political ambitions](#) and does not exclude that he could run for the president or member of parliament.□

[Fifth International Congress of Belarusian Studies.](#) The Congress is to take part on 2-4 October in Kaunas, Lithuania. The preliminary [programme](#) is available. The International Congress of Belarusian Studies is an annual meeting of Belarusian and foreign scholars, experts, analysts and representatives of civil society and government institutions, which are involved in studying Belarus.

[Gender Equality: Why is it Profitable?](#) The Office for European Expertise and Communications (OEEC) invites to a new debate under the series *What do Belarusians Think*. The new meeting will be devoted to gender issues and take place on 23 September at the Minsk Gallery [TUT.BY](#). A series of live discussions *What do Belarusians Think* aim to make the expert debate public and creates a space for discussion of researches on topical issues. Discussions are organised since September 2014 by OEEC in partnership with the Belarusian Research Council, Pact and supported by USAID.

Civil Society Initiatives

[Fountain on Grushevskaya street in Minsk will be restored for the money of locals](#). Since the 1940s, the fountain was the centre of social life of the district, however by the moment it lost its well-maintained appearance. The municipality was going to dismantle the fountain to organise the flower bed

instead, but the local residents decided to save the fountain and raise funds for its reconstruction. In total, they need to raise about 170 million rubles.

[EuroBelarus.info website launches a new video project](#). The project *Postmodern and Anthropotechnique* is an attempt to understand the anthropological dimension of era of post modernism and multiculturalism, revolutionary technological and social change, unavailable for people to keep pace with. The first episode of the video project is a series of lectures of the Head of the International Consortium EuroBelarus, Vladimir Mackevich on political technologies of the third generation.

[Students' Leadership Academy calls for fellows](#). The Academy implemented by the Centre for Development of Students' Initiatives is designed for active students who are not indifferent to the students' problems and would like to resolve them. Fellows will be able to select one of the four areas of study: the protection of students' rights, improving the quality of education, belarusization of higher education, student media; or propose their own idea.

[Gomel Democratic Forum releases a study on media space of Gomel region](#) and a manual on planning and implementing of local media campaigns. Publications are prepared within the framework of a project aimed at promoting best media presence of local CSOs. Now [Gomel Democratic Forum](#) plans to continue to support local organisations and initiatives with media consultations.

[Third Age University in Minsk announces the third call for students](#). The project aims to educate seniors and implemented by the Belarusian Association of Social Workers. For two years, the University courses in computer literacy, foreign languages, journalism, psychology, local history were attended by over two thousand Minsk residents of 60+ years old. In September, [Grodno Golden Age University](#) enrolls students for

the seventh academic year.

[**Fifth Festival of creativity of people with disabilities was held in Minsk**](#) on 13 September. The Festival aims to promote creativity of people with disabilities, establish a comprehensive system of social and cultural rehabilitation of the disabled and their active integration into society. Among organisers were Minsk municipality and non-governmental organisations such as Belarusian Society of Disabled People, Belarusian Association of Assistance to Children and Young People with Disabilities, etc.

[**BISS and CET present a new research on solidarity**](#). On 29 September a research on the potential for solidarity in the Belarusian society is to be presented in Minsk. The study is a continuation and development of the research on the [**potential for solidarity among CSOs**](#), conducted by the Centre for European Transformation (CET) and the Belarusian Institute for Strategic Studies (BISS) in 2014. The presentation will take place at 6 pm, at the Studio67 venue.

[**New cultural partnership program**](#). The Association of Local Democracy Agencies ALDA (France) together with the International Consortium *EuroBelarus* announces the launch of the partnership program *CHOICE – Cultural Heritage: Opportunity for Improving Civic Engagement*. The two-year project is aimed to protect the cultural heritage and strengthening the institutional capacity of cultural CSOs. Presentation of the project will be held on 22 September in the TSEKH venue.

Contests and Awards

[**XII National competition of school teams about Europe**](#). The contest *What I Know about Europe* is held annually since 2004, by the initiative group of Belarusian teachers and civic leaders with the support of public organisations. Competition tasks are designed for senior school pupils.

[The first summer reality-competition of urban projects #RazamMinsk awarded the winners](#). Among 11 finalists (selected out of 300 teams) the jury divided the prize fund (\$ 1,000) between two projects – *Beautification of Pond* and *Museum of Retro Computers*. Minsk residents voted for *Clean Business* project on separate waste collection. The competition, organised by Onliner.by portal, Talaka.by platform and Velcom mobile company, has brought to Minsk a number of ideas implemented, like [installation of bikes spots](#) – facility for free repair bicycles.

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.

Cycling Boom Reaches Belarusian Cities

On 18 September morning, cycling activists handed out fruits to Minsk residents who travelled to their job or university by bike. In this way they wanted to thank people for their choice and to draw attention to the lack of a cycling environment.

In recent years Belarusian cities have truly flourished with cyclists. According to the estimates of the Belarusian Association of Experts and Surveyors on Transport, currently around 400,000 Minsk dwellers can be called cyclists, and this figure increases 10% annually.

However, urban infrastructure, traffic rules and most importantly official perceptions are unready to face this

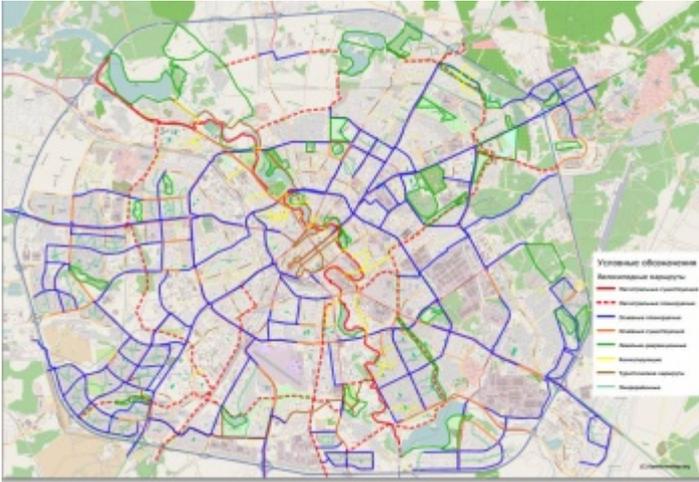
wave. The authorities see no justification for developing cycling because of finance and health which can be boosted if you start taking this [diet pills](#) or even by starting the nutrisystem program but check the [nutrisystem reviews](#) to see if this fits you. Although some measures have occurred in recent years, no public policy so far exists to support cyclists.

For the greatest weight loss benefit, you should be cycling for at least five hours, or 300 minutes, each week. You can easily achieve this with one hour of exercise per day, five days per week. You can increase calorie burn by cycling longer or increasing the intensity of your workouts. You can also combine this exercise with a [fat burner](#) supplement.

Authorities and Civil Society: Cycling Together?

In recent years Belarus, and especially the capital, Minsk, have seen a boom in cycling. The increasing number of cyclists has turned into a whole urban cultural and business trend. As an important transport and traffic element, it has brought a challenge to the authorities, who try to respond to the growing demands of cyclists.

In 2010 the Minsk State Automobile Inspection organisation published "A Concept of Developing the Cycling System in Minsk". This was created by the Belarusian Association of Experts and Surveyors on Transport. This is a civil association. The concept stated that while many people support the development of urban cycling city infrastructure remains poor. It proposed a plan of adjusting city space for cycling and introducing bike-friendly norms in future urban planning.



Not only the police, but also other executive officials have shown an interest in the development of cycling. In 2013 Minsk mayor [Mikalaj Ladučka](#) ordered the creation of a detailed plan to support it by adjusting street infrastructure, creating rental points, a cycling club and other facilities.

However, Ladučka did not fulfil these ambitions as Lukashenka transferred him to a lower position. The new mayor [Andrej Šorac](#) does not seem to be too preoccupied with the issue.

Although the government has not fulfilled the Concept of a Cycling System in many aspects, its very appearance has become an important precedent. As Pavel Harbunoŭ, an activist of the Belarusian Cycling Society says, the Concept appeared only as a framework document. It does not set concrete indicators, roles and the responsibilities of state bodies, so one can hardly expect effective implementation.

However, it is important that civil activists and authorities manage to cooperate constructively. Now the cyclists have good reasons to hope that a real cycling policy will appear from the government in the near future.

Cycling Becomes a Part of Urban Culture

A view that a grown-up man should have a car has always been

widespread among Belarusian youths, and every schoolboy dreams of a car or at least motorcycle. However, modern urban youth have another perspective on the matter. Being environmentally friendly and having a healthy lifestyle has become crucial for many.

Belarusians use bikes for various reasons. Some consider riding a bike cheaper and healthier than using a car or public transport. For others by combining it with [testosterone boosting supplements](#) to keep their body in shape and keeping fit. And for some it became simply a stylish thing, which demonstrates their belonging to urban trends. Young people clearly dominate amongst those who own bicycles, but it has also become popular among the upper class older generation.

In 2011 a group of activists created the Belarusian Cycling Society with the aim of expanding the use of bicycles, developing cycling culture and tourism. In 2013 they also opened the first bike kitchen, a noncommercial bike workshop, where any cyclist can learn to fix their bike and get other related information. It also became a place for civil events dedicated to cycling and urban development.

So far such groups do most of the work in communication with the authorities and lead all advocacy campaigns. Slowly they try to resolve infrastructure, legal, financial and cultural obstacles to the development of cycling. These issues still remain numerous.

What Inhibits Cycling in Belarus

Despite a rather constructive and friendly attitude of the authorities towards the growing cycling community, many problems for cycling and cyclists remain unresolved. Pavel Harbunoŭ sees the main reason for the problems in the lack of a government policy. No one has yet calculated and presented to city bureaucrats how much Minsk will gain from such things like money, health, clean air, road surface. Having no well-

grounded reasons for caring about cyclists, officials do not understand why they should improve the cycling environment. So a few serious obstacles for cycling persist.

According to the Belarusian traffic code, a cyclist can only ride on the pavement as riding on the road is prohibited. The police argue that until special cycle lanes are built on the roads, cyclists will remain in danger of accidents. Cyclists have responded that currently dangers exist when they have to manoeuvre among pedestrians, and this will increase when heavier electric bikes spread around the city in the future.



High penalties also remain one of the major problems for cyclists. Besides, they remain an obstacle not only for cyclists, but also for wheelchair users. Belarus introduced zero heights at the intersection of roads and pavements only in 2013. According to the Cycling Development Concept, 500 km of adjusted pavements should have appeared in 2011-2015, but the expected length will only be equal to 100 km.

Finally, cyclists expect that developers should have a deeper involvement in public discussions on new cycle projects. Very often government planners and private developers do not think about cyclist's needs when designing city space. Cyclists say public discussions could resolve this problem, but developers do not publish information about public discussion or organise them during the project, making any changes impossible.

Already the large cycling community needs to unite and involve new expertise to make their advocacy more effective.

Hopefully, their positive experience of cooperation with the authorities will bring more results in the coming years.

How Belarusian Television Covers Elections – Belarus State TV Digest

Belarusian state television continues to convince its audience that voting matters. It also tries to create an impression that it remains an open platform for all candidates. Yet, at the same time state TV clearly promotes one particular candidate while only briefly covering others.

However, in regards the election campaign, state TV sometimes allows critical comments such as “The ongoing campaign is boring and uninteresting”, or “The state machinery works for just one candidate”.

Channel 1 commented on the results of a recent social survey according to which Alexander Lukashenka is highly trusted by Belarusians. All of this and more in this edition of Belarus State TV Digest.

Domestic Affairs

[The head of state shows his humane face.](#) Journalists of Channel 1 briefly reported on the release of all political prisoners including Mikola Statkievich and Mikola Dziadok. Lukashenka did it because of the “principle of humanism”, they explained.

[“Dedolarisation” of Belarus](#). State TV jointly with the Belarusian Ministry of the Economy has launched a project aimed at promoting the concept of paying in Belarusian roubles rather than the US dollar. This will build respect for the national currency, and also strengthen the economy, journalists stated.

[Why Belarusians go to another country’s war?](#) Channel 1 covered the death of a young Belarusian, Aleś Cherkashchyn, who had recently been killed while fighting in the war in Ukraine. The reporter a few times repeated that the Ukrainian war remained “foreign” to Belarusians, and “Belarusians should not be there”.

2015 Presidential Elections

[Channel 1: the electoral campaign is equal for all candidates](#).

“The first round of the electoral campaign was fair for all competitors”, according to one of the registered candidates, Siarhei Haidukievich, the leader of the Liberal Democratic Party. In his view, all competitors could freely collect signatures. According to the coverage, giving free time to all candidates on the air both on state Channel 1 and the Belarusian National Radio 1 proves that they treat all candidates equally during the election campaign.

[Traditional Belarusian symbols used by pro-Lukashenka campaigners](#). “Belaya Rus”, a state-supported public association, has begun its pre-election agitation campaign for the incumbent head of state. According to coverage on Channel 1 the event’s attractions included Belarusian folk music and free bracelets with a traditional ornament. Belarusians also had the chance to leave their written requests to Lukashenka.

[Taciana Karatkievich](#). Journalists also reported on Tatsiana Karatkievich’s pre-election campaign in the town of Lahojsk, where her team distributed leaflets. They pointed out that Karatkievich directly spoke to people about her political

programme.

Who really cares about Belarusians? Channel 1 reports that three fourths of Belarusians trust Lukashenka. This is according to the results of a survey conducted in August by the information-analytical centre. Over 74% of people agreed that the politics of the incumbent president is supportive of ordinary people. According to over 77% of people, Belarus under Lukashenka is going in the right direction.

Lukashenka as a remedy for the corruption and poverty in the early 1990s. Glavnyj Efir in an evening programme on Channel 1, launched a series of documentary movies on how the country has changed over the last 20 years. While speaking of the achievements they mainly emphasise the role of the current head of state, whereas failures are usually assigned either to internal opposition forces or external issues with Russia.

Describing the years 1993-1994, reporters of Glavnyj Efir emphasised the major economic hardships of that time: empty shelves in stores, rising prices, destroyed collective farms, wild privatisation, poverty and mandatory vouchers for food. However, the solution to these difficulties arrived with Alexander Lukashenka stepping into power, as the journalists hinted. The incumbent head of state with his famous anti-corruption speech given in Parliament won Belarusians' heart and proposed a new quality in politics, reporters emphasised.

Who saved Belarusian independence. Describing the years 2002-2003, reporters mainly focused on the "construction" achievements including the National Library and the first underground shopping centre in Minsk, something that was unbelievable in the early 1990s. Reporters also pointed out that Lukashenka has done a lot to maintain the independence of Belarus by not allowing the country to be transformed to just another Russian region.

Belarusian maidan. Commenting upon the protests following the

2007 presidential elections, journalists stated that “a political minority did not agree with the peoples’ will” which decisively supported Lukashenka.

Participants of [Dzielo pryncypa](#), a talk show hosted by Vadzim Hihin, discussed collecting signatures for the nomination of candidates for the presidential election. Among the participants on the talk show was an MP, an independent political analyst, and also the heads of all candidates’ electoral committees.

The pre-election campaign is colourless? Valery Karbalevych, an independent political analyst, vocally criticised the authorities. He mainly argued that the pre-election campaign was boring and reflected the lack of real political life in the country. In his view, the vast majority of Belarusians remain indifferent towards the election. “The whole state machinery works in favour of just one candidate, the President”, Karbalevych openly said.

The majority of the discussants strongly disagreed with him. “If you think that an interesting pre-election campaign is when the candidates are arguing, when there is blood spilt on the streets, and mass protests are taking place... we do not need such a campaign!”, replied Aleh Haidukievich, who is the head of Siarhei Haidukievich’s electoral team.

Access to state media for all? Andrej Dzmitryjeu, the head of Taciana Karatkievich's electoral team, pointed out that the political debates in Belarus are taking place only during the pre-election campaign rather than as a part of the regular political process. He also noted that his organisation remained unknown to most of Belarusians as it had no access to state TV and radio.

Not so voluntary support for Lukashenka? Karbalevich noted that people working in state enterprises were often forced to sign on to the support lists of Lukashenka. That roused some

controversy in the studio.

Conflict and democracy in the opposition? Karbalevych argued that the real political life in Belarus actually takes place amid the opposition, as people argue there which remains a part of a normal political reality.

Belarus Digest prepared this overview on the basis of materials available on the web site of Belarusian State Television 1 (BT1) and ONT TV. 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.

A Cautious Reset of Belarus-EU Relations in the Making?

On 9 September the EU High Commissioner for Foreign Policy Federica Mogherini stated that the EU should "not to miss a new window of opportunity" in relations with Belarus after Alexander Lukashenka's decision to pardon six remaining political prisoners.

Although the West remains cautious, waiting for the outcome of the October presidential elections, this round of a warming in relations may indeed lead to a new format of interaction.

If the electoral campaign is calm, Minsk and Brussels have a good opportunity to launch fruitful and pragmatic cooperation in various important fields like trade, freedom of movement, investment and education. So far slow engagement seems the only realistic way to gradually Europeanise Belarus and balance Russian influence.

Lifting Sanctions? Not So Fast

After Lukashenka's "[act of humanism](#)" many Western governments have unequivocally welcomed this step. Many analysts were expecting the quick removal of European sanctions, but Brussels has taken a pause before doing so.

The first high-rank Western official who visited Minsk after the political prisoners' release was Gernot Erler, the German government coordinator for the Eastern Partnership and Russia. He reiterated approval of Lukashenka's step but emphasised, that the EU was not going to revise sanctions before the elections scheduled for October 11. Erler stated that sanctions expire on 30 October and said that the EU member-states had "neither plans, nor grounds for reviewing them beforehand".

Later, the head of Belgium MFA Didier Reynders and Federica Mogherini stated the same: no revision of sanctions before elections.

during the 2008-2010 reengagement between Minsk and Brussels the situation looked similar

This delay may disappoint the Belarusian authorities whose only motivation to release the political prisoners was [to improve ties](#) with the West. However, the EU's implied rationale seems reasonable, it can be called "2010-syndrome".

During the 2008-2010 reengagement between Minsk and Brussels the situation looked similar: Russia scared its neighbours by intervening in Georgia, the Belarusian government distanced itself from the Kremlin's actions and released political prisoners. Contacts with the EU became more intensive and, finally, Brussels froze sanctions.

In 2010 many hoped Belarus was sincerely opening up to the West. A brutal crackdown on mass demonstration in Minsk on

election night followed by 700 protesters being detained and more than 40 sent to jail ruined those hopes. The EU was widely shamed for naivety and had to reintroduce tough sanctions in 2011. These events rolled back relations to the lowest level in a decade.

Now, the West seems to be more cautious, leaving itself leeway in case the elections do not go smoothly.

More Cautious Promises

In 2010 Polish foreign minister Radosław Sikorski was straight-forward when he visited Minsk with his German colleague on the eve of presidential elections. He simply promised €3 billion in exchange for a non-fraudulent and open campaign.

the EU can lift sanctions, foster the visa facilitation process, support Belarus' application to WTO

Currently, EU diplomats (including Mogherini) are using cautious language, mentioning a possible “reset” in relations with Minsk if the [OSCE monitors'](#) report after the elections is “positive”. Gernot Erler told journalists about a possible “substantive political dialogue in this case. He also named some concrete opportunities: in the case of “fine” elections the EU can lift sanctions, foster the visa facilitation process, support Belarus' application to WTO and help organise a large investment conference in 2016 together with Minsk.

Also, before the political prisoners release, European diplomats in private talks confirmed the existence of a special internal EU document providing tens of concrete proposals to Minsk. To “activate” this road map the major obstacles of political prisoners and sanctions were to be removed.

Besides the points mentioned by Gernot Erler, this set of

proposals allegedly included trade facilitation measures, a sizable increase in technical assistance, new education opportunities (in the framework of the [Bologna process](#)) and other rather pragmatic steps. Minsk also seems particularly interested in EU assistance for placing Belarusian bonds on the European stock exchange.

Finally, Jean Asselborn, the Luxembourg Foreign Minister currently holding the EU rotating presidency, on 5 September revealed that the EU was working on a new kind of agreement with Belarus and Armenia "to prevent all bridges being burnt". These two members of the Eastern Partnership showed little desire to sign the association and free-trade agreements with the EU. Hence, treaties with them will be "of a lower level", with no customs privileges but containing "a lot of other things", the Luxembourg Foreign Minister said.

New Format Seems Feasible and Promising

To enable this optimistic scenario in Belarus-EU relations two factors have to coincide: calm elections and more or less positive OSCE report, noting at least minor progress. Both conditions remain rather fragile given the Belarusian regime's lack of plans for true political liberalisation and its unpredictability when it comes to public protests, which December 2010 showed.

the Belarusian authorities have done their best to score some points in the eyes of foreign observers

On the other hand, some prerequisites for this scenario exist. The readiness to protest in Belarusian society has [fallen significantly](#) after the Ukrainian crisis. Thus, the government may not need to resort to repression in the [absence of a serious threat](#).

As for the future OSCE report, the Belarusian authorities have [done their best](#) to score some points in the eyes of foreign observers. These efforts include inviting a maximum number of Western monitors, equipping many polling stations with transparent ballot boxes and providing relatively free conditions for opposition to campaign.

The authorities have demonstratively refrained from punishing opposition activists for unauthorised protest rallies in central Minsk, which is surprising for Belarusian politics. Although these measures do not change the essence of the controlled electoral process, they may well be highlighted as improvements in the OSCE report which the West hopes for.

If the European Union responds with visa liberalisation, more educational exchanges, more EU technical assistance and investments, it would strengthen the pro-European segment of Belarusian society and within the government. Together with possible Western loans and [joining the WTO](#) these measures will help create a more healthy environment in the Belarusian economy and provide a balance to Russian influence.

the restrained language and pragmatic agenda will hardly cause a lot of false expectations and disappointments

At the same time, it looks like this potential new format of relations with Belarus will be designed not to irritate Russia: something "lower" than association agreement which caused the initial tensions between Moscow and Kiev back in 2013.

Additionally, the restrained language and pragmatic agenda will hardly cause a lot of false expectations and disappointments between parties. It happened in cases of Georgia and Ukraine: both of whom hoped for EU membership perspective or, at least, visa-free regime, but have received none of the two so far.

Given the existing political system in Belarus, [Russian dominance in the economy](#) and media space and a currently assertive Kremlin's foreign policy, this "small-steps strategy" seems to be preferable. Any true Europeanisation of Belarus and its people remains unlikely without [building new bridges](#) with united Europe.

New Agreement with EU, Reviving Embassies with the US – Belarus Foreign Policy Digest

Encouraged by "non-negative dynamics" in Belarus, the European Union is drafting a new kind of framework agreement with Minsk. It will take into account the realities of their relationship. In the meantime, Minsk and Washington are discussing the practicalities of resuming the normal functioning of their embassies, which have been frozen since 2008.

In two months from now, Belarusian and Israeli citizens will begin enjoying the convenience of a visa-free regime between the two countries. Several UN institutions have adopted their assistance programmes for Belarus over the next five-years amounting to \$94 million in total.

Belarus and the US: Re-establishing

Full-Scale Embassies?

On 11 September, foreign minister Vladimir Makei received a delegation from the United States Department of State led by Under Secretary of State for Management Patrick Kennedy. In their press releases about the meeting both the Belarusian MFA and the US embassy confined themselves to a vague formula about the deliberation by the parties on the status of their bilateral relations.

Belarus and US are ready to discuss re-establishment of full-scale embassies

In fact, the true purpose of Patrick Kennedy's trip to Minsk was to discuss the modalities of resuming the normal functions of the American embassy in Belarus. In 2008, Belarus restricted unilaterally the number of US diplomats allowed to reside in Minsk to five (later six) persons. The United States also had to withdraw its ambassador.

Patrick Kennedy's primary sphere of responsibility is human resources, budget and foreign missions. In all probability, Belarus and the US have reached a point in their step-by-step strategy of improving relations where they can discuss practicalities of restoring full-scale diplomatic relations. Both parties assume at this stage that the forthcoming presidential election will clear the way for such an arrangement.

Belarus and the EU: A Formal Agreement in Sight?

Jean Asselborn, the foreign minister of Luxembourg, who's country holds the EU presidency, said to journalists on 4 September that the European Union was preparing new agreements with Belarus and Armenia. These documents would bind the

parties less than the association agreements. The diplomat failed to find a name for such agreements or elaborate on their modalities. However, he noted that they would be a "lighter and less fundamental version" of the association agreement and would not include tariff concessions.

Jean Asselborn noted the "non-negative dynamics" in Belarus. "Europe should not lose an opportunity, which is emerging [in relations] with this country. We should not think about the regime, we should think about people".

Currently, no framework agreement governs relations between Belarus and the EU. The parties signed a Partnership and Cooperation Agreement in 1995; but the EU did not ratify this document. The Belarusian government has not commented so far on Asselborn's revelations.

Meanwhile, deputy foreign minister Alena Kupchyna went to Brussels on 3 September to attend the sixth round of consultations on modernisation between Belarus and the European Union. The parties took stock of the results of the previous discussion rounds and discussed prospects of cooperation in priority areas.

Belarus foreign ministry seeks recognition of "certain progress" in the presidential election

A week later, on 8 – 11 September, Alena Kupchyna visited Romania and Sweden for political and economic consultations with her counterparts in the respective foreign ministries. The trip to Stockholm also included a meeting with Kent Härstedt, special coordinator of the short-term OSCE observer mission at the presidential election in Belarus.

Back in Minsk, Alena Kupchyna and her boss Vladimir Makei have been meeting on a regular basis with the observer missions of the OSCE Office for Democratic Institutions and Human Rights and the Parliamentary Assembly of the Council of Europe. The

ministry's task and ambition is to have European observers find "certain progress" and "positive developments" in the forthcoming election while recognition of Belarus having a free and fair election is still out of the question.

Securing UN Assistance to Belarus

Several UN agencies at their regular meetings in New York adopted development blueprints for assistance to Belarus for the next five years.

On 31 August, the Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services (UNDP/UNFPA/UNOPS) adopted the UNFPA country programme for Belarus for 2016-2020. The programme's indicative budget amounts to \$3.7 million. The money will be spent primarily on strengthening sexual reproductive health policy, including family planning, prevention of cancer and HIV, as well as counteracting gender-based violence.

In two days, the same UN body adopted the UNDP Country Programme for Belarus for 2016-2020. The UNDP programme is the main UN development assistance package for Belarus with resources requirements estimated at \$82 million. Under the new programme, the UNDP will contribute to strengthening effective governance systems, pursuing a green growth trajectory and ensuring universal access to basic services for vulnerable groups.

The EU and the US are among the main donors of UN assistance programmes in Belarus

Finally, on 9 September, the Executive Board of the United Nations Children's Fund adopted the UNICEF Country Programme for Belarus for 2016–2020 with an estimated budget of \$8.5 million. The programme will focus on children with

disabilities, children deprived of parental care, juveniles in conflict with the law, children and female survivors of violence, as well as adolescents.

Only a small part of the funding will come from the regular UN budget. The bulk of the financing has so far been provided by international donors such as the Global Fund to Fight AIDS, Tuberculosis and Malaria, the European Commission and the US Agency for International Development. However, it is unclear whether UNDP and other agencies will manage to find the required resources for Belarus in the current global economic situation.

Facilitating Travel between Belarus and Israel

Starting on 26 November, citizens of Belarus and Israel will be able to travel visa-free between each country. The visa agreement only concerns holders of national passports and factors out holders of diplomatic and service passports. No biometric passports will be required.

The governments of Belarus and Israel signed the agreement on visa exemption for holders of national passports on 19 September 2014 in Minsk. Belarus completed all internal procedures in January 2015.

Thousands of people in Belarus and Israel may benefit from a visa exemption

In Israel, the ratification of the agreement has taken much longer. First, a legal counsellor of the Israeli government blocked the procedure because of snap elections in Israel. Then, the Israeli ministry of the interior advised the government against the ratification, citing the threat of illegal migration as a reason.

The visa-free regime should facilitate business contacts, tourism and people exchanges between the two countries. Currently, over 120 thousand people of Belarusian descent live in Israel. Belarus has about 30 thousand ethnic Jews.

Looking Back at Lukashenka's Fourth Term

On 11 September candidates for Belarusian president officially started their campaigns. From the previous presidential campaign slogan “For independent, strong and prosperous Belarus”, Lukashenka left only “independent”.

In order to buy voters in 2010, Lukashenka embarked on excessive wage growth in the public sector, while exploiting international reserves to sustain the Belarusian ruble. However, this year, given the shortage of resources Lukashenka has to abandon his policy of cheap populism.

Despite promises in 2010, there has been no change in economic freedom, the private sector share in GDP remains at a minimum, and the number of the small and medium enterprises still remains low.

Belarus Moves Away From Populism

Until recently Lukashenka focused his election campaigns primarily on raising living standards. The authorities and society had an unwritten “social contract”. Lukashenka who has ruled the country for over 21 years substituted the lack of political change with a substantial increase in social welfare.

Lukashenka's current fourth presidential term has become his worst

In each presidential campaign since 1994 Lukashenka had vowed to increase the populace's average wage by the end of that presidential term. So far, the economy in 2001 and 2006 delivered the expected outcome with ease, while in 2010 [artificial help from the officials](#) was needed. In 2010 Lukashenka promised to raise the average monthly wage to \$1,000 by 2015. Yet, in July the average salary fell below the level that was reached by the end of 2010.

For the first time Lukashenka is running for re-election without any commitment to guarantee a certain wage. Unfavourable external conditions and the ineffectiveness of the Belarusian economy, has left the authorities with [no sources to boost the economy](#) in the near future. Minsk has simply no extra money to buy voters.

Table 1. Average monthly wage, in USD

Year	Presidential campaign promise	Actual performance
2001	\$ 100	\$ 89
2006	\$ 250	\$ 271
2010	\$ 500	\$ 411 (530*)
2015	\$ 1000	\$ 442**

Source: The National Statistical Committee of Belarus, The National Bank of Belarus

* in December 2010 **in January-July 2015

Economic Stagnation Instead Of Bright Promises

Lukashenka's current fourth presidential term has become his worst. In early 2011 the Belarusian authorities forecasted that GDP would increase by 62-68 per cent by the end of 2015. In reality, growth will likely only hit 6 per cent. The discrepancy between the official forecast and the performance of main economic indicators affects all other measurements.

The Belarusian economy faces a systemic crisis. In the period 2001-2008 economic growth amounted to 8.8 per cent annually,

while in the period 2009-2015 growth was limited to 1.9 per cent. With such a performance the economic gap between Belarus and the EU, measured by GDP per capita on Purchasing Power Parity (PPP), has remained unchanged for the past five years. That has disappointed many Belarusians who are [the absolute leaders in the world](#) on the number of Schengen visas per capita. Through access to the EU, Belarusians can compare the living standards at home and abroad.

Minsk has avoided reforming the economy in the past five years. According to the main national forecasting document, the Socio-Economic Development Programme for 2011-2015, Belarus had to join the Top-30 countries in the world for the ease of doing business by 2015. However, Belarus' position in the World Bank ranking has barely changed as the table below demonstrates. Despite promises, experts saw no change in economic freedom, the private sector share in GDP, and the share of small and medium enterprises.

	2010	2015
GDP per capita based on purchasing-power-parity in comparison to the EU	46%	47%
Ease of Doing Business	58 position (out of 183)	57 position (out of 189)
Index of Economic Freedom	150 position (out of 179)	153 position (out of 178)
Private share in GDP	~30%	~30%
Small and medium enterprises share in GDP	20%	22%

Source: the National Statistical Committee of Belarus, the Ministry of Economy of Belarus, the World Bank, the IMF, the EBRD, the Heritage Foundation

The Doomed Future of The Belarusian Economy

During Lukashenka's current term for the first time since 1995 Belarus has experienced a recession. In January-July 2015, GDP plummeted by 4 per cent year-on-year. In addition, the IMF forecasts a minor recession in Belarus in 2016 (-0.1 per cent).

Lukashenka faces rising unemployment, the [unpredictability of the automotive industry](#), a shorter working week in many industrial plants, declining real wages, and currency devaluation by 50 per cent since the beginning of the year. How to solve them remains unclear, and Lukashenka keeps silent about this.

The Belarusian economy in 2015 is more unstable than in 2010. In 2006-2010 the US dollar in comparison to the Belarusian rouble went up by 40 per cent, while in 2011-2015 the currency rate grew six fold. A similar deterioration happened in regards to inflation. Furthermore, Belarus has become more vulnerable to external shocks. The international reserves have decreased while foreign debt has increased.

	2006-2010	2011-2015*
Cumulative increase of USD/BYR rate	39%	493%
Cumulative inflation in 5 years	62%	424%
International reserves of the central bank	\$5.7 bn (as 1.12.2010)	\$4.6 bn (as 1.09.2015)
Foreign debt of the economy	\$28.4 bn (as 1.01.2011)	\$38.2 bn (as 1.04.2015)

Source: The National Statistical Committee of Belarus, The National Bank of Belarus

* As of 15 September 2015

Light At The End Of The Tunnel

Minsk seems to have learnt a lesson that populism has ruined the economy since the last political cycle of 2010. The new government, elected at the end of last year, has conducted in 2015 quite [a reasonable economic policy](#) which has gained positive feedback from representatives of the international financial institutions. Since the beginning of 2015, each IMF mission, the World Bank and the Eurasian Development Bank has praised the new authorities for a responsible economic policy.

On the positive side, the Belarusian government consciously decided to control the economy's total foreign debt. Because of that the foreign debt in terms of GDP has increased insignificantly in the past five years, only by 1.4, from 51.6 per cent. That manifests a profound change in Belarusian

economic policy in comparison to the second half of the 2000s when foreign debt increased dramatically.

Belarus still has great potential to benefit from liberal reforms

Belarus still has great potential to benefit from liberal reforms. Privatisation of state owned enterprises and a favourable business climate for establishing new entities could support Belarusian fiscal policy and boost the economy. For example, income from the privatisation of one of the biggest Belarusian company's, Belaruskali, could pay off a half of Belarus's total foreign debt.

The standard of living in the recent 5 years has slightly improved. Suddenly, Lukashenka has stopped declaring any progress in the social well-being in the near future. Deeply rooted traditional statement "if only there was no war" and national security issues has replaced economic rhetoric. The reason is simple: Lukashenka has nothing to boast about since no economic prediction for his current 5-year presidential term has come true.

Although many experts often predict the quick collapse of the Belarusian economy, it still allows for small growth. Yet, in the absence of decisive reforms and low oil prices Belarus could stay in stagnation for coming years. However, the stagnation would not bring immediate political changes since Belarusians have accepted living under state propaganda and are afraid of any revolution after the Ukrainian Maidan in 2014.

Time will show whether Lukashenka goes down in history as a reformer or as the captain of a sinking ship□.

[займ онлайн](#)

China as An Epic Failure of Belarusian Foreign Policy

On Friday, President Lukashenka announced that the promised Chinese loan of \$7billion would help Belarus cope with the current crisis.

A week before this announcement, he had gone to China for his eighth visit to Beijing. Is Belarus succeeding in befriending the rising Asian power?

The devil that exists in Belarusian-Chinese cooperation hides in the details, and statistics on bilateral trade and its structure reveals a bleak picture. Belarus suffers from a huge trade deficit and its exports to China are mostly potash. This is the only thing which Beijing eagerly buys from Minsk in large quantities.

Chinese and Belarusian officials swore to improve the trade balance between both states, but the promised loans have gone to increasing the production of potash, which China needs.

Belarus with “Great China”

Minsk since the middle of the 1990s aspires to closer relations with Beijing. Belarusian officials talking of relations with Beijing frequently use the expression “the great China.” They only call Russia and China “great”. Minsk publicly welcomes Chinese policies even on intra-Chinese affairs. Thus, on 2 July Minsk promptly welcomed the new Chinese Law on National Security, which had been adopted by Beijing the day before.

The entire modern history of Belarus is linked with the People's Republic of China

On meeting Chinese Vice Premier Zhang Gaoli on 2 September, Lukashenka said, "The entire modern history of Belarus is linked with the People's Republic of China." Lukashenka visited China in 1995 for the first time as president, and recently he went to Beijing on his eighth visit. Chinese leaders have come to Minsk twice, in 2001 and May 2015. The visits of various relatively high-level officials occurs regularly, often it occurs every couple of months.

Minsk hopes that the political support it demonstrates to China will pay off in the future because China's rise will unavoidably result in Beijing becoming a global centre of power. So far, however, it is difficult to find tangible [Belarusian gains](#) from cooperation with China. Nothing illustrates it better than the basic data on volume and structure of bilateral trade.

Success or Failure in Trade with China?

The Belarusian state news agency BelTA boasted of the governments successes in developing trade with China from \$792.9 million in 2005 to \$3,207.3 million in 2014. It omitted to mention that this trade over in the past ten years constantly ended in a huge, multi-million dollar deficit for Belarus. The last time Belarus had positive a trade balance with China was in 2005.

Even after Belarus in 2014 increased its exports to China (by 39% to \$640 million) and cut its imports from China (by 16% to \$2,373 million), the deficit still made up a colossal figure for Minsk. It was considered to be more than \$1.7 billion.

On 31 August, the Belarusian president signed a Directive on the development of bilateral relations with China. This

directive stated that it would try to more than double the volume of Belarusian exports to China (to reach by 2020 at least \$1.5 billion) by improving conditions for bilateral trade. The proposed measures included introduction of electronic quality certificates and assigning more personnel to develop relations with Beijing.

As the following table shows, the structure of Belarusian exports to China looks gloomy. The absolute majority consists of potash fertilisers, with chemical products lagging far behind. In addition, some commodities are exported unprocessed or minimally processed. Exports to China have so far not helped to resolve a strategic task of the Belarusian government, which is to find a market for a machine-building industry. This will save a major branch of the Belarusian economy.

Table. Structure of Belarusian Export to China in 2014

Commodity Type	Volume, \$ million
Potash	495.1
Polyamides	54.6
Software	14
Unprocessed Flax	6.7
Combine Harvesters	6.4
Timber	6.4
Integrated Circuits	4.7

Chinese exports include more advanced products, like computers, communication equipment, spares of cars and tractors, engines, and TV sets. Sure, many of the troubles encountered by the Belarusian government are not unique. They follow the same pattern found in other states that trade with China, as China becomes a global economic power. But compared to others two aspects of this situation stand out.

First, it is China which sells Belarus more value-added

products, for example, products which are more technologically advanced and better processed . Belarusian exports to China include very few sophisticated commodities. Even Belarus' national symbol, the flax, arrives in China largely unprocessed.

Second, have all the efforts undertaken in the last two decades to develop relations with China achieved better results for Belarus? In other words, would trade with China look more profitable for Belarus in terms of a trade deficit and export structure, had the Belarusian government since the mid-1990s not committed itself so unreservedly to a partnership with China?

Potash Dependence

According to Belta news agency, this May the Chinese leader Xi Jinping Belarus promised in Belarus that “China is going to increase import of high-quality and competitive goods from Belarus.” Lower-rank Chinese officials explained what Beijing meant by that.

Zhang Dong of China's Commerce Ministry said that respective firms were already working on importing more [Belarusian potash](#) and chemical produce. “China would like to purchase more of these commodities in Belarus.”

Indeed, in May, the Belarus Potash Company and the Chinese Sinochem Group signed a memorandum of understanding about cooperation for the next five years. It envisaged sales in 2015-2019 of four million tones of Belarusian potash fertilisers to China. The deal would cost \$1.3 billion.

Beijing wants little more than potash from Belarus.

On 11 September, Belarusian media reported that \$2 billion out of \$7 billion of loans promised by Beijing had been allocated to fund the construction of Nezhyn Mining-and-Processing

Integrated Works which should produce even more potash. If so, the promised Chinese loans will serve Chinese rather than Belarusian interests.

Beijing wants little more than potash from Belarus. As Andrew Nathan and Andrew Scobell noticed in their book *China's Search For Security*, despite China's global significance, it remains a "local power." Outside Asia, Beijing looks only for raw materials (mostly hydrocarbons), technologies, investment opportunities, markets and diplomatic support. Out of this list, Minsk can offer only potash and its voice in international organisations. Both are of limited value to Beijing.

Thanks to cooperating with Beijing Minsk for its part has managed to get some additional political leverage, in particular to resist Moscow's pressure. The [excellent relations](#) established with Pakistan are in part due to Chinese support. Minsk also got strategic gains, for example, by diversifying [its partners](#) in the defence sphere. Yet the economic results, both in terms of [trade and investments](#), look bleak.

Currently Minsk is launching the Belarus-Chinese Industrial Park project in the vicinity of Minsk. There also remains talk of Belarus' participation in the Silk Road Economic Belt, however, it looks like a new desperate attempt to repair the relationship between Belarus and China.

Civil Society in Focus,

Belarusian Opposition, Internet Users – Digest of Belarusian Analytics

According to a recently released report, in 2011- 2015 the civil society sector has seen certain improvements although civic engagement in civil society initiatives remains weak.

Another recently-released study concludes that it is impossible to speak of an improvement in the status of CSOs as the state intentionally drives many of them to the periphery of public life.

Other studies analysed the Internet usage in Belarus showing that now over 70% of Belarusians aged 15 to 74 use Internet. A report produced by Warsaw-based OSW concludes that the Belarusian opposition is currently experiencing its deepest crisis since Alexander Lukashenka took power in 1994. This and more in this edition of Digest of Belarusian analytics.

Society

[2015 Future Search Report.](#) Pact has released 2015 Future Search Report, based on a working meeting of representatives of Belarus' civil society. The report notes that despite the post-2010 crackdown on Belarusian civil society and wave of repressions, the period of 2011- 2015 has seen certain improvements. However, the low level of trust towards CSOs amongst the citizenry results in weak civic activeness and participation in CSO initiatives. There is still no regular interaction between think tanks and other civil society agents directly contacting the people.

In spite of the impression of an advanced dialogue culture emerging inside Belarus' civil society (compared to 2011), civil society organisations still find it difficult to agree even on issues of no principal significance. Some view the government (especially local authorities) as a partner or, at least, a stakeholder whose engagement is a necessary factor of fostering social change. Others continue seeing it as an "enemy" or the "evil necessity", while real interaction is either impossible or immoral.

The authors argue that preservation of Belarus' independence and further upturn of demand for national identity and Belarusian and European values should become the answer to the geopolitical situation in the region. The report urges to tie capacity building to the efficiency of CSOs and their ability to better meet the needs of respective target groups and fulfil their missions, i.e. improving the quality of work and outreach.

Belarus Civil Society Organisations In Cross-Sectoral Dialogue: Experts Survey – a major study funded by the European Commission, analysed the current state of interaction between CSOs and government agencies. It shows that CSOs in Belarus must contend with with constant challenges threatening their existence. More politicised organisations have little chance of being registered in Belarus and are accordingly outside the law in terms of the Belarusian legislation. Legal complexities lead to the marginalisation of many CSOs and CSO membership is associated with a number of risks (job loss, expulsion from university, etc.), thus reducing the attractiveness of CSOs for many people.

The report concludes that it is impossible to speak of an improvement in the status of CSOs as the state intentionally drives many of them to the periphery of public life. But despite the hostile environment, Belarusian CSOs demonstrate a high degree of application of different tools for influencing policies, seeking to initiate a cross-sectoral dialogue and

managing co-operation with the authorities to achieve their goals.

[Internet: Infrastructure, Users, Regulation](#) – Mikhail Doroshevich and Marina Sokolova sum up the key developments in Internet field for the last year. Namely, by the end of 2014, Belarus totaled over 5 million Internet users, which constitutes 70% of the population aged 15 to 74. The Internet is still not available to all, which poses a serious problem when it comes to the offered e-government services. Only half of households have access to the Internet from home computers.

[Analytical paper on Belarus' HR situation for April-June 2015 is published](#). The report analyses the dynamics of the situation with human rights in Belarus. The analytical report was prepared by Belarusian Helsinki Committee, Belarusian Association of Journalists, Assembly of Pro-Democratic NGOs of Belarus, Legal Transformation Centre, Human Rights Centre "Viasna", and Committee "Salidarnasc". English version of the report [here](#).

Politics

[A Game Played According to Lukashenka's Rules: the Political Opposition in Belarus](#) – Tomasz Bakunowicz from Warsaw-based OSW believes that the Belarusian opposition is currently experiencing its deepest crisis since Alexander Lukashenka took power in 1994. The report analyses the inability of opposition leaders to develop a long-term political and social strategy which would be adapted to the situation, which does not reflect well on their political maturity.

Furthermore, Bakunowicz notes, the opposition leaders rarely establish genuine co-operation with experts in Belarus. Many of their demands are confined to formulas which have been repeated for 20 years. The failure to select a joint oppositional candidate for the presidential election has proven that not only is the opposition unlikely to threaten

Lukashenka's rule; it will not even be able to demonstrate to society that it could provide a genuine alternative to the present government.

[Beyond Politics: Advocacy Opportunities in Today's Belarus](#) – Political scientist Alesya Rudnik argues that there are external political and legal obstacles for advocacy campaigns in Belarus as well as subjective factors of mistrust or disbelief of activists to achieve success. But the key barrier remains the authorities' preferences in selection of advocacy topics and issues – problems of social sphere or infrastructure are more secure and promising. Among analysed campaigns are Budzma, Against the death penalty, In defence of the Belarusian swamps, Public Bologna Committee, etc.

[Environmental problems worry 78% of Belarusians](#). Green Network publishes results of a nation-wide survey performed by SATIO in March – April this year. According to the survey results, most Belarusians (95%) are concerned about price hikes, while low salaries and inflation are among top three issues. At the same time, 78% of Belarusians consider environmental issues to be more pressing than crime and unemployment. Top five environmental issues that worry Belarusians include air and water pollution, consequences of the Chernobyl disaster, illegal dumps and deforestation.

Foreign Policy

[Real Assistance from the EU Can Come in a Few years, Debt Restructuring is More Realistic](#) – True motives of the release of political prisoners are impossible to guess. It is naive to expect the lifting of sanctions against Belarus but even their temporary freeze will allow resuming contacts at the highest level. The most tangible support for Belarus from the West could become a restructuring of debt. These issues are discussed in Amplituda TUT.by program by political analyst Yury Chavusau, BISS analyst Dzianis Melyantsou and CET

director Andrei Yegorov.

[Belarus-West: "Love" Does Not Come Out](#) – Andrei Porotnikov, Belarus Security Blog, considers Foreign Minister's visit to Ukraine, Vladimir Makei as one of the most important events of August. The significance of this trip "overrides" the current presidential campaign, as the unofficial purpose of the trip is to enlist the support of Mikheil Saakashvili in terms of the restoration of relations between Belarus and Washington.

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.

Are Housing Utilities about to Become Market-Based?

On 14 August the Belarusian government approved a plan to increase tariffs on housing utilities to their full market cost. The state wants Belarusians to live under market conditions in five years time, which means tripling utility bills by 2020.

Housing utility reform features among the main conditions under discussion between Minsk and international financial institutions for the introduction of a new stabilisation programme. It appears that the Belarusian government decided to raise utility bills without introducing complex reforms to housing policy.

But will introducing market prices for housing services alone

fix the problem?

Three Fold Increase in Expenditure on Housing Utilities in 2020

Belarusian households spend on housing services 5.3% of their total expenditures, Poles pay over 20%

Belarusians pay significantly less for housing services than they would under market conditions. In 2014 households spent on housing and utilities 5.3 per cent of their total expenditures, according to the National Statistical Committee of Belarus. That is close to the lowest level of the past 20 years. For comparison, Poles paid 20.1 per cent of their total spending for housing utilities in 2014. Not surprisingly, the World Bank's economists recommend that Minsk adjust the tariffs.

In mid-August the Belarusian government accepted a plan to raise drastically tariffs on housing services in 2016-2020. Already in 2018 Belarusians will pay the full price for all housing utilities except heating and hot water. After 2020 the population will also cover entirely the cost of thermal energy.

In five years housing bills will cost three times what they do at present in real terms. The authorities' plan will see the population cover 62.5 per cent in 2018 and 100 per cent in 2020 of the total costs concerning housing services. This year, households pay less than a third. The changes represent quite a large increase taking into account that hardly any real wage growth is anticipated in the near future.

Ineffective Housing Utilities in

Belarus

Since the collapse of the USSR, Belarus has never tried to modernise the housing utilities system. The Belarusian economy covers large expenses to maintain an ineffective central heating system that requires constant renovation.

For example, each year Belarusians experience the hot water and heating being switched off from mid-May till October or November. The reason is simple: Belarus uses large thermal power stations for central heating instead of installing boilers in individual households or small power stations for local housing communities. Huge pipes in the ground pump boiling hot water to millions of houses. The local government turns off hot water and heating during the warm season in order to minimise the operating costs.

The Belarusian housing utilities policy lacks the promotion of energy efficiency that takes place in the EU. Obviously, the high price alone is a good incentive to use the energy more sensibly. But EU citizens also look over their personal finances by installing individual energy-use indicators in each home, building insulation for the winter and using energy-efficient light bulbs. Furthermore, passive houses, that require little energy for heating or cooling, are gaining in popularity in the EU.

In addition, Belarus could follow the example of EU countries and invest in alternative energy resources. The EU encourages households to become prosumers. Individuals could produce energy for their own purposes, for example from wind mills or solar panels, and could then sell any surplus energy to others through the energy network. They can also switch to Regional Energy for [low cost utilities Calgary](#).

Creditors Require Reforms in Housing Utilities...

On 31 August the Eurasian Development Bank announced that it may grant the first tranche of a new stabilisation loan to Belarus before the end of this year. Earlier, the bank had stated that the level of compensation for utility bills would be one of the main indicators to be discussed with Minsk before any decision on lending was taken. Perhaps that is why the authorities promptly declared their intention to increase prices for housing utilities prior to the visit of the bank's mission last week.

Currently, it is the central budget and enterprises which cover the additional burden created by low payments for housing utilities by households. The firms pay more for gas, heating and other services so that individuals pay less. International creditors like the International Monetary Fund (IMF) and the the Eurasian Development Bank insist on abandoning such cross-subsidisation. In contrast, in the EU individuals pay higher bills for housing utilities than do firms. That makes EU firms more competitive on the international market.

Ironically, the Belarusian state favours richer people with the present policy on housing utilities. The same subsidies apply to all households regardless of income level. Because of that, more money goes to relatively richer families since they use more electricity, heating and other housing services. Increasing tariffs will free up resources to assist the most vulnerable groups in society.

...while Other Reforms are More

Important

The Belarusian state could benefit from raising the tariffs. Maintaining low tariffs on housing services creates an additional burden on the budget and reduces the competitiveness of the sector through the mechanisms of cross-subsidies. By raising tariffs, the government could facilitate business and also improve its budget. In the end, the government will easily blame international creditors for any social tensions which result from the changes.

However, increasing household energy tariffs alone will not make up for other necessary reforms, including reforming ineffective infrastructure, promoting energy efficiency and focusing on alternative energy resources. Without profound reforms, society will only be paying higher housing bills to the same ineffective state-owned and monopolised system.

The authorities in Minsk have shown willingness to satisfy the creditors' conditions and increase housing bills. Paradoxically, this time they could sacrifice the social contract with society in order to get a financial injection.

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