

The autumn of liberalisation – digest of the Belarusian economy

On 26 September 2017, Belarusian officials declared plans for the liberalisation of the economy by developing a new decree on freeing up Belarusian entrepreneurship.

Moreover, on 28 September, the First Deputy Prime Minister of Belarus Vasily Matyushevsky announced the government's intentions to encourage further growth of the IT-sector.

The latest statistical figures on the development of the Belarusian economy, though optimistic, are still far from promising.

Economic growth: searching for optimism

According to the latest data from Belstat, a government agency for official statistics, the Belarusian economy is slowly starting to recover. In the first eight months of the year, growth of industrial production equaled 6.1 per cent, GDP grew by 1 per cent and the volume of foreign trade rose by more than 20 per cent (see Figure 1).

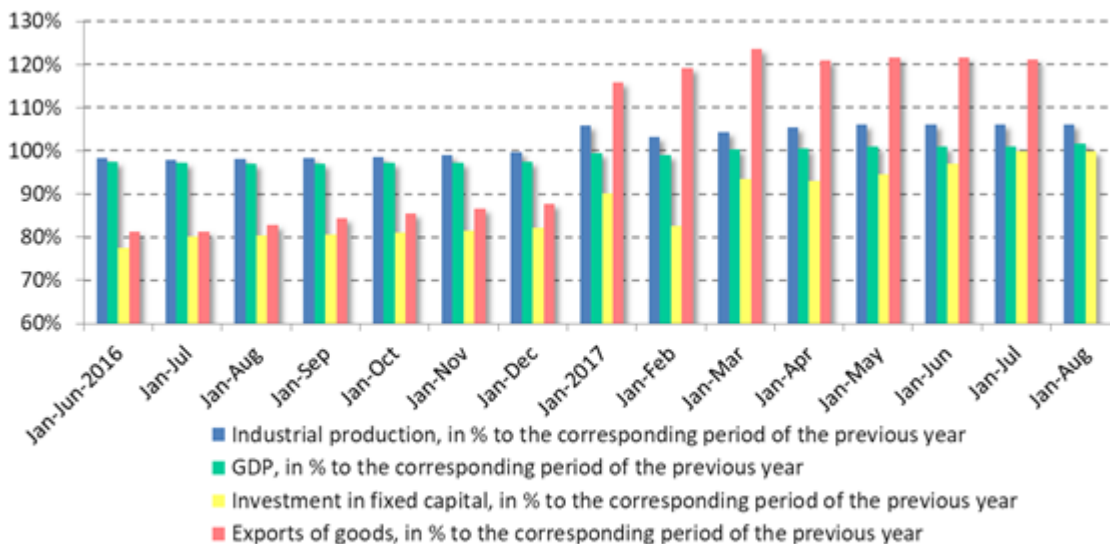


Figure 1. Economic performance

However, a deeper analysis of the figures reveals that officials' increased optimism rests on shaky ground. First, trade turnover in 2016 dropped by 12.4 per cent, while a year earlier it declined twice as much.

Second, the rise in global commodity prices mostly explains current achievements. For example, compared to last year the price for the Belarusian refinery products rose by 63 per cent, and ferrous metals by more than a third. Overall, export prices increased by 20 per cent, while the physical volume of export supplies improved only by 3.1 per cent.

Third, Belarus's export structure has not changed. It still comprises mostly agricultural products, refinery products, potash fertilizers, and metals. Moreover, the share of high and medium-technology goods in total volume of Belarusian exports to the EU does not exceed 2 per cent.

Finally, despite the best efforts of Belarusian officials, the share of exports to Russia in the first half of the year accounted for more than a half of total turnover (not much different from last year). Accordingly, the trade turnover with EU countries increased only by 14 per cent, with the total share equalling 23 per cent.

Therefore, any optimism about a recovery seems a bit

premature, taking into account the absence of assurance that current pricing trends will continue longer into the future.

Entrepreneurship: approaching liberalisation

Meanwhile, on 26 September, the government submitted a key document to aid liberalisation of the Belarusian economy, the draft decree “On the Development of Entrepreneurship,” for consideration by Belarusian president Alexander Lukashenka .

The decree proposes the following changes. First, the government will systematise and reduce administrative requirements (procedures for obtaining certificates, approvals and other permits) in order to simplify entrepreneurial activities.

Second, the decree advocates the formation of predictable tax legislation with the aim of ensuring a stable situation in the tax sphere. In particular, the government plans to introduce a ban on the introduction of new taxes or the increase of tax rates till 2020.

Third, the decree introduces a new notification procedure (by way of “one window” services or by implementing an e-services portal) for some of the most common types of economic activity for small and medium private enterprises (household and travel services, transportation of passengers and cargo, production of agricultural goods and building materials).

Fourth, the decree cancels the need for licenses for 3 of the 36 currently licensed business activities. It also streamlines 20 additional licensing components for the remaining activities. Finally, the government will attempt to transform the economy to focus on information technologies. Particularly, the First Deputy Prime Minister of Belarus

Vasily Matyushevsky has acknowledged [further development of Belarus High-Tech Park](#).

As a whole, the decree aims to change the mechanisms of interaction between the state and businesses. The hope is to minimise state intervention in the activities of private companies and to strengthen the mechanisms of self-regulation for entrepreneurs. However, the government still insists on maintaining a level of control over the economy.

The real sector: waiting for investments

Later, on 28 September, during the Belarus Investment Forum held in Minsk the First Deputy Prime Minister of Belarus Vasily Matyushevsky praised the success of the measures taken by the government to support businesses in general.

Matyushevsky stated that Belarus occupies the 37th place in the latest World Bank's Ease of Doing Business ranking and grades among the ten countries-leaders in the reform of legislation. As a result, the number of companies bringing in foreign capital is growing—40 per cent more in comparison with 2014.

Discussion during forum touched on several topics, including investment in the real sector, technological and human resources of Belarus, and growth drivers for the Belarusian economy. Additionally, participants have evaluated the possibility for a transition from a “catch-up development” strategy for Belarus to a “harmonious integration into international value chains” strategy, which envisions generating a stream of FDI into the country.

Moreover, the officials have stated that Belarus will continue reforms in order to support promising sectors of the economy,

developing modern technologies, and increasing of the role of private sector.

However, World Bank Country Director for Belarus, Moldova, and Ukraine, Satu Kahkonen has argued that, along with the many opportunities, several risks remain in store for Belarus.

Kahkonen noted that Belarus can no longer rely on its traditional position in the market. Global driving forces have changed: the prices of raw materials will not be as high as in previous years. This means for Belarus that it cannot rely further on high commodity prices. If Belarus stops developing and reforming, it will fall into the trap of slow growth.

She added that additional growth factors for Belarus should include high level education, infrastructure development and [taking advantage of its geographic location between EU and non-EU states](#).

In total, while the government demonstrates commendable efforts in the legislative sphere and tries to assure foreign investors with good economic development prospects, the economy still awaits more proactive steps and shows only temporary signs of recovery.

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Belarus-Russian military exercises: the story still not over?

On 28 September, the last train filled with Russian troops that had participated in the West-2017 military exercises reportedly left Belarus. Some hours later, however, Commander-in-Chief of Ukraine's Armed Forces Viktor Muzhenko disputed the news. He claimed only a few Russian military units had returned to their garrisons in Russia, and the rest of Russian troops had, in fact, stayed in Belarus.

Muzhenko's claims follow a string of other accusations and speculations over possible covert aspects to the Belarus-Russian military drills that made up West-2017. Minsk and Moscow have held the "West" military drills regularly since 2009. Each time the exercises are held, they cause observers to speculate about the hidden, aggressive intentions behind the war games.

This year Minsk tried its best to [open up](#) the drills to counter negative publicity. Yet, it found this task immensely difficult.

Moscow presents an exaggerated picture, and opponents are eager to accept it

IHS Jane's Defence Weekly, a review that covers security issues, published contrasting statistics on the number of Russian troops involved in the West-2017 military exercises.

On 28 September, the review wrote that “estimates ranged from Russia’s [official number](#) of 13,000 to more than 100,000.” Huge differences in troop-number estimates among analysts—even after the drills finished—point to a lack of evidence-based expertise on the matter.

To escape that problem, *IHS Jane’s Defence Weekly* announced the main issue was not to ascertain the exact number of Russian troops involved. The weekly cited a NATO source as saying “it was the force posture and the quality of the troops that matter.”

Of course, confusion about the West-2017 exercises also stems from the Kremlin’s behaviour. Moscow lost no opportunity to exaggerate the scale of the exercises and to make matters ambiguous.



Image: mil.ru

While Minsk firmly insisted the exercises are limited to a separatist conflict scenario—meant to resemble conflicts in Kosovo and Ukraine’s Donbas region—on Belarusian territory, Russian military officials have been ambiguously promising to hold military exercises “from sea to sea.” That is, Moscow tried to link the West-2017 exercises with its other military training activities, some as far away as the Arctic.

Minsk [attempted to dispel](#) Moscow’s hints and ambiguities. All the same, many foreign media outlets, politicians and pundits seemed eager to accept Russia’s more threatening portrayal of

the exercises. The Kremlin appears to have succeeded in representing West-2017 as an effective, Russian show of force.

The Russian military tasked its psychological warfare division with making the drills appear large-scale. The following two cases discussed below illustrate Russian efforts at sowing confusion over Russian troop numbers.

The first case dates to the end of last year. In an unprecedented move, Russia's defence ministry published information on the 4,162 train cars it allegedly ordered for transporting Russian troops to Belarus and back. Writing in *Defense One*, a defence analysis website, Finnish military expert Jyri Raitasalo pointed out, "With one Excel spreadsheet made public in late 2016, the West has been made to guess [at the number of troops to be on-board] for eight months."

The second case relates to a 14 February [news](#) publication on the arrival of Russian First Tank Army units to Belarus. The news caught Minsk by surprise. In a matter of hours, Belarusian military officials dismissed that information. No additional tank units had arrived. Moscow, however, chose to keep the news published on official military websites. The aim appears again to be to spread uncertainty.

Nowhere to hide



Image: mil.ru

Meanwhile, Minsk and Moscow can hardly conceal their [massive military preparations](#) from Western eyes. First, Western satellites can observe any location in Eastern Europe. Indeed, last year the *Belling Cat* website authors used satellite imagery to reveal the withdrawal of Russian aircraft which had been temporally based in Belarus.

Second, regional and Western countries—both members and non-members of NATO—conduct surveillance flights over Belarusian and Russian territory according to quotas determined by the 1992 Treaty on Open Skies. In exchange, Belarus and Russia—the two countries form one single group under that Treaty—conduct flights over these countries' territories.

Information collected in these flights is fed into a unified data-bank. About three dozen NATO member countries and states aspiring to join the alliance can together conduct more flights and collect more information on the military capacities of Belarus and Russia than vice versa. Indeed, before the beginning of the West-2017 military exercises, on 4–8 September, the US and Ukraine conducted a surveillance flight over Belarus and Russia.

That is, Western and regional countries may have doubts about some minor details of the joint Belarus-Russian exercises, but not about their [main features](#). It is logical to assume that intelligence agencies know exactly whether 13,000 or 100,000 participated in the drills, as such things cannot remain concealed under these circumstances.

Fog of verbal war

The many opportunities that regional and Western countries had to study the exercises make many statements about the drills by foreign politicians and media look odd. Though Belarus and Russia regularly conduct “West” military exercises causing some negative reactions, this year Minsk faced an

unprecedented flurry of negative media coverage, both at regional and global levels.

Lithuanian president Grybauskaite even used an opportunity to address the UN General Assembly on 19 September to lash out at this year's "West" exercise as a threat to international security. In addition, she also cited the Belarusian-built Astraviets nuclear power plant as a weapon from the "Kremlin's arsenal."

Bloomberg, a business news agency, went as far as to warn on 15 September, "If [war breaks out](#) with the West, it's most likely to start in 'Veyshnor'ia' [*the fictitious name Belarus's General Staff gave the enemy zone in the West-2017 exercises*]."



Presentation of the scenario of the drills. Image: nn.by

Often, foreign media, politicians and analysts [denied](#) any active role for Belarus in the exercises. A case in point is provided by the BBC's media coverage. At least, on the first day of West-2017, the BBC World Service described the drills in its news summary as "Russian" exercises conducted in Belarus.

Even in the cases where Western media mentions Belarus, Russia is discussed first. Never mind the greatest number of troops involved were Belarusian—according to Minsk, more than 7,000 Belarusians trained together with less than 3,000 Russians.

Moreover, the drills were concentrated on Belarusian territory and planning corresponded to standard training scenarios [designed and used](#) by the Belarusian military for several years.

Minsk has responded to all the negative coverage and statements in a restrained manner. For instance, reacting to Ukrainian accusations of Russian troops staying in Belarus after the exercise, Moscow mocked Ukrainian Commander-in-Chief as 'professionally incompetent' and elaborated on 'degradation' of Ukrainian General Staff. On the contrary, Minsk merely repeated that Russian troops had left.

In sum, the West-2017 exercises illustrate two key points. First, Minsk [reluctantly joins in](#) any show of power staged by Moscow. For the most part, Minsk can [hold its ground](#) when the Kremlin pushes for more aggressive displays of military strength. Indeed, none of this is new. Minsk has defended its position on other major joint defence projects with Russia, such as over the establishment of the [Single Air Defence System](#) or the [Russian airbase](#) in Belarus.

The second point demonstrated by the West-2017 exercises is that it's really a moot point whether Western or regional states understand [Minsk's policy](#). Foreign media coverage of the exercises show that Moscow's opponents feel somewhat comfortable both with Russia's exaggerated claims and with the illusions Russia paints of controlling Belarus. The statements of top officials from Ukraine, Poland, and Lithuania in particular demonstrate this attitude.

Belarusian authorities increase pressure on anarchists

On 26 September, Belarusian secret services raided the apartments of several Belarusian anarchists and environmentalists.

This became yet another case of repression against Belarusian anarchists in recent months. State authorities have been on alert since the outbreak of protests in 2017 against decree № 3, a presidential decree which levies an unemployment tax on Belarusian residents who work fewer than 183 days per year. Anarchist groups took an active and sometimes leading role in the 2017 demonstrations.

The authorities appear uncertain how best to deal with the grassroots, Belarusian anarchist movement. Unlike other contemporary social factions, anarchists represent a close-knit, cohesive and relatively new movement in Belarus. By conducting searches and prosecuting anarchists for their role in protests, the authorities again demonstrate their resolve to suppress social and political activism.

Raiding the apartments of activists

On 26 September, representatives of the Belarusian KGB burst into the apartments of two activists—Marina Dubina, a representative for the Ecadom organisation, and journalist Marina Kastylyanchanka. In addition, well-known anarchist and former political prisoner Mikalai Dziadok reported on his Facebook page that security forces searched the flats of several other anarchists.

One activist said the search of her apartment lasted more than

10 hours. During the long search, the KGB seized computers, books, and money. Some of the activists claim they were assaulted. On 27 September, a special press-conference was organised by Belarusian anarchists groups to draw wider attention to the raids. Anarchists Ihar Truhanovich, Yauhen Dziatkouski, and Alena Nemik shared their experiences about the incidents.

Ihar Truhanovich said the security officers were violent and damaged his belongings. He claims they beat him and stole €500 from him. Other activists said security officers did not explain why they confiscated certain items, such as computers and telephones.

The human rights centre *Spring* believes search warrants were issued on grounds of hooliganism. In July, a group of anarchists set fire to a billboard in Ivatsevichi, a city in Belarusian region of Brest, that read “The Strength of Law in Its Implementation.”

<https://belarusdigest.com/wp-content/uploads/2017/09/Анархисты-сожгли-щит-с-государственной-пропагандой-в-Ивацевичах.mp4>

However, it is doubtful the burning of the billboard is the cause of the raids. Two people, Ihar Makarevich and Kirill Aliakseeu, are already serving sentences for setting the billboard on fire. Another possible explanation is that the KGB raids may be an attempt to maintain an atmosphere of fear among activists.

A new wave of repression against Belarusian anarchists

Pressure on anarchists has become especially noticeable in recent months. Anarchists have become one of the most prominent groups during [demonstrations against the “social parasites decree.”](#)

Dozens of anarchists were arrested during the 2017 spring protests. In addition, two representatives of the movement, Ihar Makarevich and Kirill Aliakseeu, received prison terms for a demonstration in Ivatsevichy, the same city where the billboard praising tough law enforcement was set alight.

On 27 August, police detained 15 anarchists on their way to attend a lecture by Russian anarchist Alexey Sutuga in the city of Baranavichy, also in the Brest region. A district court accused two of the detainees and the Russian lecturer of extremism, informs newspaper *Nasha Niva*.



Anarchists at the Belarusian Embassy in Kiev. Source: revdia.org

On 23 September, anarchists in Kiev began their “Death to the Dictatorship” campaign. They hanged a hand-made effigy of Belarusian President Alexander Lukashenka on the fence of the Belarusian Embassy in Kiev. The activists pointed out that both local and international media were reluctant to cover their picket.

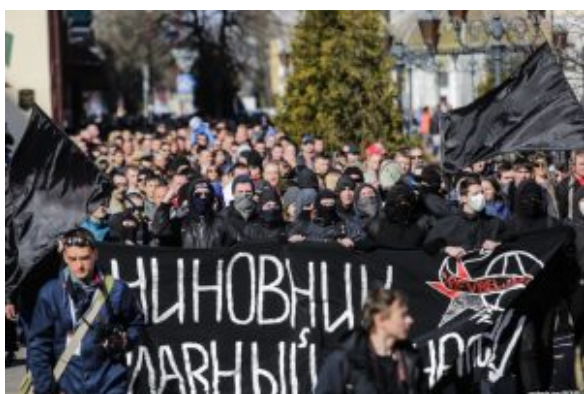
Later, the Belarusian Embassy in Kiev appealed to the Ministry of Foreign Affairs of Ukraine complaining about the demonstration arranged by “20 aggressive young people.”

Authorities continue to pressure anarchists under vague pretexts. For example, on 21 September, anarchist Raman Halilau was accosted by police and fined for having

insufficient identifying documents. Halilau said two police officers stopped him on the street and searched his pockets. They then demanded he come to the police station to verify his identity, despite the fact he had already given them his passport. During the 2017 spring protests, a court sentenced Halilau to 21 days detention for participating in demonstrations that took place in Brest city. Halilau claims police beat him while he served his detention.

So far, the reason why the raids took place on September 26 and why at the apartments of those particular activists remains unclear. Vyachaslau Kasinerau, a well known Belarusian anarchist [accused of anti-regime graffiti](#), said in an interview with *Radio Free Europe/Radio Liberty*: “It (the searches in the apartments of the activists – BD) is possible if we consider recent events. Authorities set a goal to infringe upon all anarchists, because it is one of the few movements that have not submitted.”

New targets for the Belarusian authorities?



Anarchists at the march against the decree. Source-svaboda.org

The peculiarity of the anarchist movement in Belarus lies in its organised nature and high degree of secrecy. Anarchists

appeared at the forefront of the 2017 spring protests.

The rise of the anarchist movement effectively caught law enforcement agencies by surprise. In response, the authorities are now trying to crush the movement with searches, detentions, and interrogations.

Football fan activists in Belarus are under the same pressure. Belarusian authorities also [see football fan activists as a potential threat](#). After the Euro Mайдan protests in Ukraine, in which football fans played a significant role, Belarusian authorities have paid close attention to the participation of football supporters in domestic social movements.

For example, Ilya Valavik received a 10-year prison term for fighting on public transport. However, his wife believes the real reason for his long sentence was his involvement in Belarusian protest movements.

Belarusian social and popular movements continue to develop and intensify despite conditions created by the regime. The authorities, for their part, are testing new methods of repression and are ready to use violence. In the past, political opposition party activists were the authorities' main targets. However, the list of victims has grown to include more closed and organised movements, such as anarchists, environmentalists, and football fans.