

Setting Up an NGO in Belarus: Challenge Yourself

Earlier this month the Belarusian authorities refused to register yet another human rights organisation called For Just Elections (*Za Spravedlivye Vybory*). To put it mildly, the three reasons for the refusal are odd: none of them seemed to be based on Belarusian legislation.

In addition, on 8 May 2013, the [Tell the Truth campaign](#) headed by ex-candidate for presidency Vladimir Nekliaev applied for state registration as a public association for the third time. Two previous attempts ended in refusals. As the campaign's activists commented before, "This year all the documents are prepared competently and thoroughly. If the registration body refuses registration, it will be a political decision". The registration body again declined their registration.

In Belarus, the application procedure for the registration of a public association (the main type of NGO based on membership) remains among the most complicated throughout the post-Soviet region. Barriers to entry vary from high minimum membership requirements to long decision-making processes on registration. Further still, even the successful passing of all these ordeals does not guarantee one's registration.

Tricky Consequences

The strict Belarusian rules on public associations have quite specific results. On the one hand, they encourage Belarusian public activists to comply with the legislation's requirements with a maximum of attention and seriousness. On the other hand, the existence of many organisations acting without registration in Belarus highlights the noncompliance of Belarusian laws with the basic principle of freedom of association.

Unlawful refusals to Tell The Truth and For Just Elections are no news for Belarus. In 2012, the Ministry of Justice registered 12 new international and republican public associations, while 19 associations of the same type received refusals.

The NGOs unwanted by the Belarusian government can find other ways to operate in Belarus. For instance, instead of registering a public association, activists can set up an institution – another organisational form for NGOs. It does not allow broad membership, but its registration procedure is much simpler. However, the state authorities can liquidate institutions easily as well.

Belarusian NGOs Abroad

Belarusian NGOs increasingly recourse to registration abroad. The Belarusian Institute For Strategic Studies, Assembly of NGOs, Centre For Transition Studies, and Palityčnaja Sfiera are just a few examples of NGOs operating in Belarus, but set up in other countries.

A brief outline of classification of Belarusian NGOs abroad offered by Belarusian lawyer Yury Chavusau is of particular interest here. Among others he singles out:

- NGOs that only need the status of a registered organisation. The status of a registered organisation is necessary to avoid sanctions for operating without registration based on Article 193-1 of the Criminal Code. The brightest example of NGOs of this type is Young Front registered in the Czech Republic;
- NGOs willing to circumvent restrictive Belarusian legislation on foreign aid. Belarusian rules on foreign aid require compliance with a long list of bureaucratic procedures, and in certain cases will even make receipt of foreign grants impossible. Registration of a foreign organisation abroad allows evasion of the difficulties.

This category of Belarusian NGOs abroad is the largest;

- NGOs originally created abroad to implement activities not possible to carry out in Belarus. For example, the Belarusian Human Rights House in exile in Vilnius founded for hosting annual Belarusian human rights schools, other seminars and conferences, etc.

Those who venture to get registered as a Belarusian public association should remember that barriers arise at almost every stage of the process.

Four Challenges of the Registration Procedure

Besides being ready to apply repeatedly for registration, setting up a public association also requires considerable resources: people, finances, expertise and time.

People. The wish to carry out activities across the whole territory of Belarus can make finding human resources a hard task. The founders will need at least 50 Belarusian nationals. The minimum number of founders for a local public association is ten people, but all of them must be permanently living in the respective territory. Legal entities cannot be founders of public associations.

Money. After finding the people, the restless activists have to think about money. State registration of local public associations and foundations costs the same as for commercial organisations. A national or international association or foundation, however, is required to pay twice the fee of the national commercial entity (approximately \$124). Additional expenses include fees for registration and for securing a legal address. The address cannot be the flat or house of its founder or anyone else. As a rule, initiative groups have to rent an office or part of one – which rarely costs less than \$40 per month.

Expertise. The pre-registration stage arrives: preparation of

more than a dozen of documents in accordance with numerous mandatory requirements, including using the font and the right size of margins. Registration authorities do not advise on the documents' correctness. As a result, if they subsequently find any faults (however minor) in your documents – they will use them to justify their refusal to register an organization. Moreover, after all reported faults are eliminated and the same set documents is submitted, registration body can refuse again – on different grounds.

Still some valuable assistance in drafting the documents for registration comes from other Belarusian non-governmental organisations such as Lawtrend. Those unaware of Lawtrend's services will either bear additional expenses for legal advisor, or should reconcile with the idea that this application round is not the last for them.

Time. It takes registration authorities one month to make a decision on the registration of a public association. The state authorities can prolong the term for one more month, if desired.

Registration By Any Means

Whatever difficulties Belarusian public associations face on their way to registration, it is worth completing. Public associations' operation without registration are illegal and can entail criminal liability.

In 2005, the notorious Article 193-1 became a part of the Criminal Code of Belarus. According to it, participation in activities of unregistered public association results in a fine, or arrest for up to six months, or a prison term of up to two years. The same rule applies to other types of NGOs.

So far Belarusian courts have used Article 193-1 for verdicts against 18 activists. State authorities often notify the civil society activists of the possibility of the Article's application, using it as a threat. Only during April 2013

Belarusian state authorities notified three civil society activists of the possibility to qualify their operation as falling within Article 193-1's scope.

Strikingly, with all these troubles Belarusian public associations still get registered and operate: as of 1 January 2013 their number all over the country reached 2,477. [Links to the state](#) explain why many organisations manage to get registered. Others managed to register because of the strong motivation and determination of its founders – the leaders of Belarusian civil society.

Painful Lessons of Eurasian Integration

On 25 April 2013 Tatsiana Matoryna, Director of the Brest Stocking Plant – one of the largest apparel industry companies in the former Soviet Union– blamed sharp decreases in the plant's sales on Belarus' economic integration with Russia and Kazakhstan.

The accusation has serious grounds: in 2013, the volume of sales from the plant decreased by about 30% compared to the same period in 2012.

The main reason for this and similar sales drops is competition in which Belarusian goods often lose out. For years, tariffs and non-tariff barriers to trade helped Belarusian businesses avoid unwanted competitors on the domestic market. However, the country's accession to the Customs Union with Russia and Kazakhstan, and Russia's subsequent accession to the World Trade Organisation (WTO) deprived Belarusian plants of the usual state

protection.

Little by little, Belarus' optimistic expectations about [the Eurasian integration](#) turn out to be unrealistic. A few years ago, the director of the Centre of Integration Research of the Eurasian Bank of Development Evgeny Vinakurau estimated that because of the economic integration with Russia and Kazakhstan from 2011-2030 Belarus' GDP would increase by 15%. [The recent performance](#) of the Belarusian economy has cast a shadow on this forecast.

Integration – Not A Virtue In Itself

The history of international economic relations can teach Belarus a good lesson. Belarus has strong trade links with Russia and was supposed to benefit from joining the Common Economic Space (next step of integration after the Customs Union). The Common Economic Space rules exempt Belarusian goods from nearly all tariff and non-tariff barriers to trade. Exports from Belarus to Russia in 2012 decreased by about 25.5% compared to the last year. Even long-desired Belarusian meat and dairy products now turned out to be 4.5% less popular in Russia than in 2012.

Clearly Belarusian goods are becoming less competitive in Russia. However, in 2010 when the Customs Union de-facto started to function, one could hardly expect such a hardening of competition, mainly because it was not known that [Russia would join the WTO](#) on 22 August 2012.

At the same time, the WTO rules are not a suitable excuse for Belarus' economic poor performance in relations with its big neighbour. In fact, Russia's tariffs for meat and dairy products with WTO countries have increased after August, 2012. As a result, the reasons for the low level of competitiveness of Belarusian exports must be found elsewhere.

In such a situation, the forecast of the former Minister of

Economy and Development of Russia Elvira Nabiullina seems more realistic: integration within the Common Economic Space will increase internal competition and create incentives for the modernization of enterprises. For Belarus, it really will. Otherwise, the country's economy will not only lose hope for finding new markets, but will also lose its own market.

Belarus: The Gates for Foreign Investments?

The Belarusian government also hoped that Eurasian integration would boost foreign investments. Official web sites and brochures still list the state's participation in the Customs Union as one of the main reasons to invest in it.

Indeed, the market of the Common Economic Space can seduce foreign investors. It covers around 170 million people, and eliminates barriers to trade and capital's movement. But Belarus should be interested in a different question. Rather than "does the Common Economic Space attract foreign capital?" it should be "will foreigners be interested in the Common Economic Space invest in Belarus?"

According to the 2012 Index of Economic Freedom Belarus ranked 153th, while Kazakhstan and Russia were 65th and 144th respectively. The A.T. Kearney Foreign Direct Investment Confidence Index ranked Russia 12th in the world. Foreign investors willing to do business in the Common Economic Space will most probably prefer investing in Russia and Kazakhstan rather than in Belarus. The negative image of the Belarusian regime in Europe, as well as its [recent treatment of foreign investors](#) are taking their toll.

Two Hidden Rocks

Eurasian integration can also decrease capital inflows into Belarus.

One reason for that is Belarus' inability to use its traditional methods of investors' attraction. For instance,

Free Economic Zones (FEZs) – six special regions in the territory of Belarus – have been among the strongest arguments for investing in Belarus for years. Foreign goods used for new production in the FEZ did not have to pass customs clearance. As a result, FEZ's residents used to save both customs duties and value added tax.

However, on 18 June 2010 Belarus signed an agreement on free economic zones within the territory of the Customs Union, which has reversed this rule. Belarusian attractiveness for foreign investors has respectively fallen.

According to Belarusian economist Iryna Tachytskaya theoretical and empirical surveys give no clear answer as to whether participation in regional integration encourages foreign investments. The practise shows that liberalisation and institutional reforms look more important for foreign investments than economic integration. In formations of South-South type (between developing or transition economies) the investments are distributed disproportionately. Tachytskaya concludes that in case of the Common Economic Space the disproportional allocation is hardly to hurt the Belarusian economy.

The lessons of the Custom Union and Common Economic Space for Belarus are simple to verbalise, difficult to follow, and urgent to implement. The country has to increase its competitiveness and continue liberalisation of its economy. In absence of these factors, Belarus will fail to benefit from the Eurasian integration and may end up in a worse condition that before the integration.

Who Invests In Belarus?

On 17 April 2013 Standard and Poor's upgraded its outlook on Belarus sovereign rating from stable to positive. According to the agency, strengthening economic stability was brought on by tightened monetary and fiscal policies.

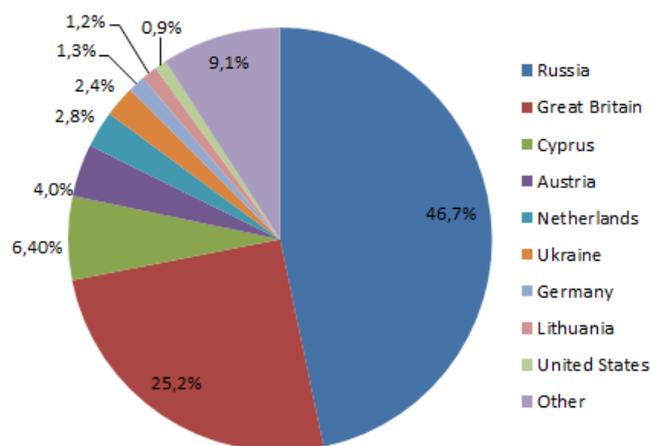
The beneficial change means more than a pleasant evaluation of the country's performance, but also a signal to foreign investors, which Belarus needs now more than ever. While the Middle East countries continue to speak highly of the country's investment attractiveness, the less friendly West invests in Belarus much more.

The facts suggest that Belarus' politics plays a less significant role for foreign investments' inflow than one could imagine. Even more, statistics shows increase of European investments into Belarus against the background of deterioration of Belarus-EU political relations.

Map of Foreign Investments in Belarus

The origin of foreign investments coming to Belarus remains quite stable. Traditionally, the largest amounts come from Russia and the European Union countries. Since 2007 Russia, Great Britain and Cyprus have never left the Top-5 countries investing in Belarus, regardless of whatever changes in Belarus' external policy. Austria, Germany, Netherlands, Switzerland, Lithuania, Ukraine, the United States and China also head the list of active contributors to Belarusian economy.

Foreign Investments to Belarus in 2012



At the same time, the widely declared plans of Belarus' government to attract investments from the East, namely, from the Middle East remain far from full implementation.

Even with the rare existing investment projects of the Eastern countries in Belarus considerable troubles occur. The most notorious ones include refusal of Oman investor from carrying out a major investment project in June 2012 – a couple of years after entering into an investment agreement with Belarus.

In 2010, the Oman investor obtained a 2.6 hectares' land plot in the very centre of Minsk and a number of other preferences granted by the Belarusian President.

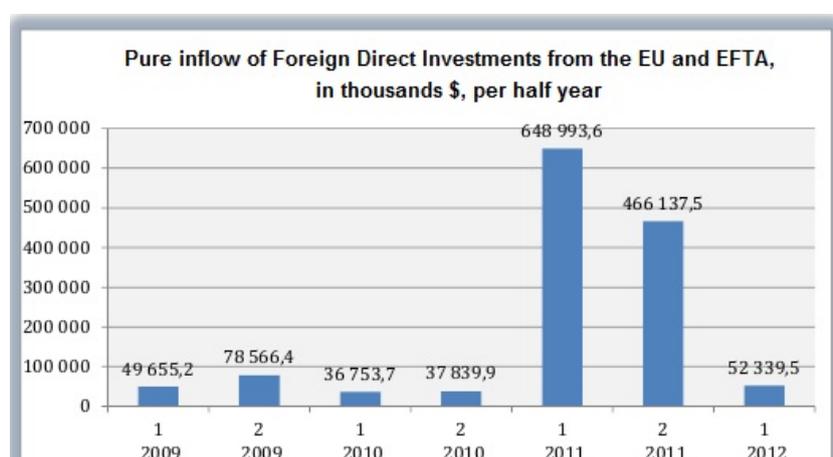
According to Minsk city authorities, the investor's refusal from the project resulted from the 2011 economic crisis. At the same time, for example, Qatar investments until now appear to be working well and tend only to increase.

The situation with foreign investments from [China](#) remains unclear. Belarusian media devote much attention to Belarus-China economic cooperation but in reality the country's investments into Belarus still remain modest, although higher than those from the Middle East states. The major contributions came to Belarus from China as earmarked loans of

Chinese banks for a implementation of projects involving the use of Chinese goods and workers.

Politics of Profits?

The low responsiveness of foreign investments to political developments became obvious in 2011. Despite Belarus-EU relations hitting a new low after the 2010 presidential elections, the inflow of European investments into Belarus in 2011 exceeds the level of 2010 and 2009. Belarusian Internet resource Doingbusiness.by provides the following chart of foreign direct investments inflows to Belarus from the EU and the European Free Trade Association countries:



Importantly, Europeans themselves do not hide that economic interests prevail over political disagreements. Therefore, the dislike of the West of the Belarusian regime hardly reflects on FDI flows. Even Belarus Prime-Minister Mikhail Miasnikovich complains about the insufficient profitability of investments into Belarusian industry: the \$31,5 bn invested into Belarusian industry have brought only \$19,2 bn increase of value added during the last 7 years.

The United States, despite a firm stand on the political situation in Belarus, also invest in Belarus. As of now, the most preferred destination of American investments in Belarus is the High-Technology Park. Three American companies included into The 2013 Global Outsourcing 100 rating – EPAM Systems, Intetics and Itransition – reside in the High-

Technology Park. Some of them were founded by ethnic Belarusians.

Considering investments from Russia, politics does influence them, although with certain peculiarities. Using financial and fuel dependence of Belarus from its big neighbour, Russian businesses can secure their investment interests in Belarus. It is no secret that the Russia-Belarus agreement on the sale of [Beltransgaz](#)' shares to Russian Gazprom appeared on the same day as the treaty on lower Russian gas prices for Belarus. So, the irony of the Russia-Belarus relations was that the largest Russian investment into Belarus made the result of gas disputes between the countries.

Dividends' Taxation Decides

A range of reasons for which these, but not the others, European countries invest in Belarus is wide. Together with strength of such countries' national economies in some cases and geographical closeness to Belarus in the others, go tax regulations.

Belarus concluded double taxation treaties with 63 countries, including, those which invest in it. Predictably, the treaties with the actively contributing in Belarus countries provide their residents with the best investment opportunities. The low tax on dividends – for which the statutory rate in Belarus is 15% – plays an important role.

Great Britain firmly ranks second among states of origin of investments coming to Belarus. A great deal of funds from this country concentrates in Belarusian free economic zones and High-Technology Park. Doing business in these areas ensures considerable taxation and other privileges for its residents, but British investors are in a favourable position a priori. According to the Great Britain-Belarus double taxation treaty British companies and natural persons pay no taxes on dividends at all.

Provisions of the double taxation treaty with Cyprus, Netherlands, Germany and Austria are less attractive. Still, under certain conditions they provide for the tax rate of only 5% on dividends. Thanks to this rule, investing from these countries becomes more profitable than from almost all the others.

The Cyprus' extremely beneficial national taxes coupled with benefits from the double taxation treaty, it is easy to understand why this small country headed the list of countries investing into Belarus during all these years up to recently. Moreover, many businesses from Belarus and other former Soviet Union countries use entities incorporated in Cyprus to do business back at home.

Double taxation treaties between Belarus and many Middle East countries also establish good conditions for businesses.

So, European investors are still far more active in Belarus than their Asian competitors despite high politics. Whether the tendency will last remains still unclear because the Eastern countries are expanding their capital over the world. In Belarus their state will not be essentially worse than that of the Europeans – at least from the point of view of taxation.

Belarus simply needs investments in big volumes and does not care a lot about their sources. While international political relations can influence foreign investors' intentions, their first priority is profits. But as of now, Belarus' financial attractiveness is still not high, both because of low profitability and [the lack of stability of Belarusian laws and economy](#).

According to a study of the United Nations Commission on Trade and Development, in 2009 the cumulative FDI inflow per capita in Belarus was just \$878, compared to \$1,138 in Ukraine, \$1,792 in Russia, and \$4,801 in Poland.

Belarus still has many lessons to learn how to attract foreign investors.

Belarus Sends Confusing Messages to Investors

Last year net foreign direct investments into the real sector of Belarusian economy dropped by 75 per cent compared to 2011, according to recently release figures of the Belarusian Statistics Committee.

The pretext for sentimental patriots to moan is another reason for state authorities to rack their brains. They have eased tax burden, extended territories with privileged regimes, and achieved impressive results in the World Bank's Doing Business ranking.

But investors ignore the country with qualified, quite cheap and hard-working employees with opens access to the Russia-Belarus-Kazakhstan Customs Union with its market of 170 mln people. Big foreign businesses may secure unique privileges and cordial greeting, but then expose themselves to significant risks.

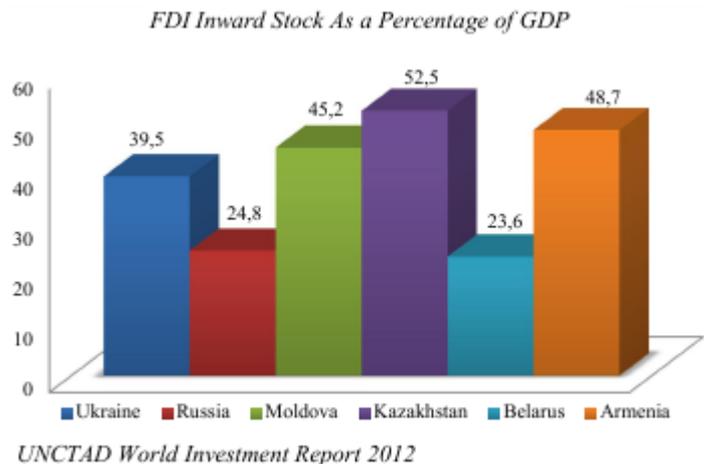
Small enterprises risk less, but are to go through all thickets of Belarusian bureaucracy, which is often unbearable even for local dwellers. Bad image in the Western media and political unpredictability also add to investors' unwillingness to invest.

Still, these factors can hardly explain the 75 per cent fall of net foreign investments.

Picky Underperformer

Belarus' underperformance at attraction of foreign investments is no news. Even compared to other states of the Commonwealth of Independent States its achievements are poor.

With this gloomy background, the 75 per cent fall of net foreign direct investments within a single year surprises even more.

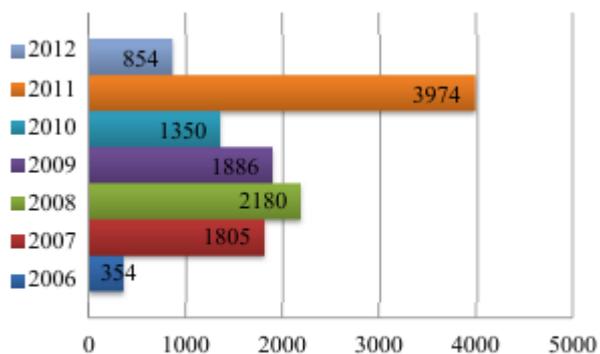


More specific figures help to ease the astonishment. The \$3,974 mln of net foreign direct investments in 2011 were unprecedented for Belarus and mainly appeared from one big deal.

Russian giant Gazprom purchased [Beltransgaz](#)'s stock for \$2,500 mln. Without this transaction, the index' decrease would be more modest.

In 2012 Belarus failed to privatise any big state company. Or, perhaps, it did not really need it. As Belarusian economist, Leanid Zaika, explained to Deutsche Welle, "the use of grey schemes in "solvents business" has brought to Minsk about \$ 2,500 m, which has fully replaced foreign investments".

Net Foreign Direct Investments to Belarus, \$ ml



Data on 2006-2011 taken from
<http://www.economy.gov.by/ru/invpolicy/invest-klimat/pezzultat>

Thanks to the [solvents scheme](#), Belarus could continue behaving like a picky girl, or sooner Lukashenka – acting like her austere father. To please him foreign investors should bring significant resources, latest technologies, and welcome state's representatives at their company's Advisory Board.

But such investors are rare, if not unreal.

However pleasant the process of being choosy can be, Lukashenka will probably have to give up this privilege. In 2013, Belarus is supposed to say goodbye to another \$3 bn for covering its external debt.

The solvents business has stopped. Chances for cheap foreign credits for the debt's covering have lowered. The need for investments is growing.

Spartak, Kommunarka, Luch. What Is Next?

The government failed to attract enough investments to Belarus in 2012, it has also damaged the country's investment climate. Last November the conflict between Lukashenka and a foreign investor – Marat Novikov – resulted in more than two times' increase of the state's shares in Kommunarka and in Spartak, dissolution of both companies' Advisory Boards and assigning state officials as their sole directors.

But Belarus did not stop there. On 28 December 2012 an extraordinary general shareholders meeting of OJSC "Luch" voted for transfer of 5.4 per cent of the company's stock to the state. Before that, the state's share constituted only 0.18 per cent of stock.

It was the state's representative in the Advisory Board of Luch, who initiated such voting. Initially, the representative

spoke about increase of the share up to 25 per cent. But further steps of the state with regard to the company's stock are still unclear.

Reaction to these facts was quick. The terms nationalisation and "reprivatisation" seem to be the most popular among investment analysts and potential investors, when they speak about Belarus now. In such environment Lukashenka's words during entrance speech at the 7th Belarus Investment Forum that "we guarantee the best conditions for doing business to investors" sound like an empty promise.

Peculiar Attractors for Investment

Still the Belarusian government is trying to attract foreign investments. Belarusian lawyers are working on perfection of laws on investments, concessions and public-private partnership. The complicated tax system is becoming simpler. Investment forums are growing both in scale and in number. Belarus' rating in Doing Business is rising.

Belarus has also been providing the most wanted foreign investors with privileges and benefits on a case-by-case basis. Among the newest appeals is the creation of [Chinese-Belarusian Industrial Park](#) – today the most favourable place to do business in Belarus.

While trying to get investors interested in entering the Chinese-Belarusian Industrial Park, the state uses again its probably most effective novelty in terms of investments over recent years: [High-Technology Park](#)'s tax privileges. In the Chinese-Belarusian Industrial Park, the taxes are even lower.

Investments' attraction through diplomatic cooperation is another tool. Recently, Lukashenka has assigned the special task of each Belarus' foreign ambassador to attract investments. Traditionally, the assignment looked more like an order and the ambassadors are now responsible for the tasks received.

Lukashenka himself also is active in cooperation with selected foreign ambassadors. Last December he had a very friendly meeting with the Iranian ambassador Seyyed Abdollah Hosseini. Lukashenka's warm attitude to the ambassador is quite explicable. During four years of his stay in Belarus Iranian investments in Belarusian economy rose from \$6m to \$960m.

However tough are the efforts, friendly political relations and privileged tax treatment are not enough to satisfy Belarus' financial hunger. Not so many countries in which state authorities dispose of investments instead of private parties still exist. And capital from Russia, Venezuela, Azerbaijan and Iran make only a small part of the world's investments.

Businessmen from most other countries want the host state of their investments to have stable economy, predictable legislation and trustworthy government. Belarus makes different efforts for investments' attraction, but among the most important factors, it still does not have much to offer.

Blue-Collar Workers Earn More Than University Graduates

On 10 January the Ministry of Labour and Social Protection proudly announced that Belarus has reached a historical minimum level of unemployment: 0,5 per cent. The figure looks impressive even compared to the recently improved unemployment indicators in Russia (5,4 percent) or Kazakhstan (5,3 percent).

Belarusian media started to explain why the figures of the Belarusian government are incorrect. But

HeadHunter Belarus – project of RABOTA.TUT.BY – diminished attractiveness of Belarusian labour market otherwise. According to their research, blue-collar workers in Belarus are in much greater demand than university graduates. They also established that Belarusians earn considerably less than citizens of Russia, Ukraine, and Kazakhstan.

For example, Belarusian accountants averagely earn 2.7 times less than their Russian colleagues. Surprisingly the salary of Belarusian accountants is often even lower than that of Minsk subway cleaners. Despite this parents spend fortunes for covering their children's tuition fees, while the children themselves spend at least five years on the way to a profession which will hardly ensure their prosperity.

Cheap Graduates

Not only accountants' monthly salaries look rather depressive. An average lawyer earns \$382 per month, a marketing specialist – \$405, while doctors have to work for 10-11 hours to earn their \$350.

Average monthly salaries in 2012 (estimated \$)

	Russia	Ukraine	Kazakhstan	Belarus
Java-programmer	2.396	2.141	1.331	1.725
Financial analyst	1.437	878	891	521
Marketing specialist	958	565	729	405
Lawyer	1.198	631	810	382
Accountant	938	497	613	347
HR-manager	958	405	683	405

Based on the salaries in BYR provided on <http://finance.tut.by/news331260.html>

The trouble comes not only from the generally low salaries in Belarus. It is largely about the low demand for university graduates. More than 77 per cent of Belarusian vacancies are still for blue-collar workers.

Interestingly, from this perspective market economy really works. The most hated by many Belarusian graduates

advertisement which they see in the subway offers cleaners \$394 per month – far more than many recent university graduates get.

Higher Education's Disappointments

During the last seven years, the number of students enrolled in vocational training colleges has decreased by almost 35%. The number of university students is constantly rising. The sad reality is coming to the minds of young people gradually after enrolment at university. As the joke goes would you say to graduates of philological faculty? – “One Big Mac and Cola, please”. The older Belarusian students become, the less funny they find the jokes about their future career at McDonalds.

There are exceptions of course. For example, the prospects of [IT-specialists](#) look rather promising. Impressive popularity of programming faculties and courses accompanies growing demand for programmers, as well as increase in their salaries. Regrettably, not everyone in Belarus has the the right mind-set to do IT work.

Still the algorithm “kindergarten-school-university” governs the minds of young Belarusians and their parents. Universities promise a beaming life success, while entering a vocational school equals to joining the army of untouchable.

The status of a school graduate who decided to have a year gap in education is even worse. If a young man does not enter a university or another educational establishment after school he will have to follow an even more unwanted scenario: a two-year military service.

This does not leave much rule for thinking to a 17 or 18 year old person who may still hesitate about career choices. As a result, this question arises sharply in five years when it is already a time to work. When university graduates suddenly realise that they can get the profession of their dream at a

vocational training school only.

Unemployment Algorithm

Despite a large number of university graduates and their unfavourable employment situation, according to the Belarusian Ministry of Labour and Social Protection unemployment rate in Belarus manages to be just 0.5 per cent. For Belarus it is not sudden and unexpected – last year the official unemployment rate was merely 0.6 per cent.

A good deal of bright graduates [leave for Russia](#), less often – for Europe and North America. Qualified blue-collar workers, especially young men, also find this opportunity rather attractive. In any case the main reason is the salary. If a Belarusian builder in Mahileu region earns about \$400, just across the border in Smolensk region it would be \$1,200 per month.

Foreign investors remain cautious about Belarus and the state-run economy cannot produce enough jobs with decent salaries. The economy badly needs modernisation which is difficult to achieve without significant foreign investments and a serious commitment to reforms.

Those who stay in Belarus have two options. First, they may quit their recently acquired prestigious profession and go to something more simple to earn better money. Second, they may decide to keep to their prosperous image and hopes for success. From time to time, ambitious hopes come true. The popularity of the first option is striking. Hearing from your shop assistant that he is an economist, or from a masseur that she is an engineer is unlikely to surprise a Belarusian. It has already become a part of reality.

But even this system can hardly ensure 95.5 per cent employment of population. [Belarusian statistics' trick](#) of counting only those who officially register as unemployed helps.

Low Competition for Employment

Even if the unemployment was indeed so low, it is not a reason to be excited. The above-mentioned research of HeadHunter Belarus suggests that competition for employment is considerably less than in Russia, Ukraine, or Kazakhstan. It makes less than three people for a vacancy and in average each vacancy got only 14 replies from candidates.

The figures can look positive and imply that all Belarusians have already found their dream jobs. However, they lead to other conclusions as well. The main of them is that Belarusian labour market is only slightly familiar with competition for employment. That means employees are not engaged at constant improvement of their skills. They will get a job anyway. At the same, those who are ready to improve their skills and qualifications find leaving, for example, for Russia much more attractive.

Why do people agree to be paid so little? One explanation is that they follow a famous Soviet employees' wisdom: "We pretend working and you pretend paying." Perhaps, it is high time to burn the proverb together with the load of harmful stereotypes. Otherwise, the country may end in the same unfortunate way as its predecessor, the Soviet Union.

The Rise of Belarusian Handball

However unfortunate could be the political and economic situation within Belarus, thanks to some Belarusians the national pride can still be high.

In 2012 Belarusian handball players were among the ones to

thank for that. After a longest decline of Belarusian handball, the hope for its revival is now glimmering. While the beliefs that Belarusian handball has died with the Soviet Union step back.

Both Europe and the world know not only that Belarusian handball exists, but also its face – Sergey Rutenko.

Sergey Rutenko: But Perhaps A Wizard?

Sergey Rutenko comes from Minsk region, township Pryvolny. Fond of sambo wrestling and basketball as a child, he finally chose handball. The choice has proved to be right.

The number of prizes and titles granted to the prominent 31-year old Belarusian has become countless. Sergey has been a 5-times champion of the EHF Champions League, the most expensive transfer in the history of handball (€ 1,2 m), the best goal-scorer of the EHF Champions League in 2004 and 2005, as well as of 2006 European Men's Handball Championship.

The sharp rise of Sergey Rutenko's carrier started in 2000 with silver medal at the European Handball Junior Nations Championship. Shortly, he left Belarusian "Arkatron" and moved to Slovenia. There he played first for "Gorenje" (afterwards substituted for the leader of Slovenian handball – "Pivovarna Laško"), as well as Slovenian national team. In 2005 he moved to Spanish "Ciudad Real", in 2009 – to "FC Barcelona".



In order to save the right to play in Spanish League in 2008

Rutenko had to accept citizenship of Spain. Like earlier in Slovenia, the Spanish invited him to play in their national team. Acceptance of such proposal could allow Sergey to make a new huge step in his carrier.

But this time he seemed to care about the carrier's development less: in 2008 Rutenko expressed the wish to return to the Belarusian national team. In September 2010 Sergey finally got the right to play for his motherland and soon captained the national team.

Still, Rutenko has not turned Belarus into an unconquerable handball empire instantly. Soon after his arrival, defeats to Denmark and Russia followed. Rutenko's 11 goals in the two games could not save Belarus. In this regard, Sergey had only one response: *"I'm not a magician"*.

But perhaps he is close to one. For the first time he is playing for the Belarusian national team and for the first time since 1995 Belarus is participating in the World Men's Handball Championship. Rutenko participated in all the 2012's games with Slovakia, Lichtenstein and Romania – the games that have paved Belarus' route to the Championship. And within its first circle is bringing to the Belarusian national team almost a half of its goals.

"Dinamo": The First Among Equals

Belarusian handball clubs are currently gaining strength as well.

In 2012 after the victory over Turkish "Beşiktaş", "Dinamo Minsk" burst into play-off of the EHF Champions League. This sole fact proves the team's recent progress. In 2010-2011 "Dinamo" fell out of the Championship even before 1/16.

Not only did the team have the chance to conquer for the place among top 16 teams of Europe. It seems to succeed in implementation of this chance. As of now, "Dinamo-Minsk" is

taking the third place (out of 6 teams) in its Group D: after “FC Barcelona” and “Füchse Berlin”. However, “Füchse Berlin” is only one point ahead of “Dinamo” and the latter still have 3 circles of games to change the ranking.

As a pleasant contrast to hockey “Dinamo Minsk” and football [“BATE Borisov”](#) handball “Dinamo Minsk” has real competitors within Belarus. “Handball Club Meshkov Brest”, as well as “SKA Minsk” does not allow “Dinamo” to relax. In these circumstances fans’ hopes, that the team’s results will only grow, can reasonably strengthen.

Less fortunately, “Dinamo Minsk” is far from being a purely Belarusian team. More than half of its players are foreigners. Last year it even got an unpleasant name of branch of the national team of Ukraine. 5 Ukrainians are playing for the club!

Date / Time	Match	Venue
9 February 2013 /18:00	Zagreb  v  Dinamo Minsk	Arena Zagreb, Zagreb
16 February 2013 /17:15	Pick Szeged  v  Dinamo Minsk	Városi Sportcsarnok, Szeged
21 February 2013 /20:00	Dinamo Minsk  v  Barcelona	Dinamo, Minsk

Schedule of EHF Champions League's matches of "Dinamo Minsk" for February 2013

Still, Belarusian fans are looking forward to February games of “Dinamo Minsk” against “Zagreb”, “Pick Szeged” and “FC Barcelona”.

Especially, the game with “FC Barcelona”, which will bring an additional chance to watch Sergey Rutenko at work.

Call For State’s Attention

The today’s achievements, however, represent just a vague shadow of Belarusian handball’s success of Soviet times. “SKA Minsk” still ranks as one of the most titled clubs in Europe. For three times it won EHF Champions League (1987, 1989 and 1990). Twice – in 1983 and 1988 – it wrested EHF Men’s Cup

Winner's Cup.

Up to 1992, Belarus supplied most professional players to the USSR team. To put it into figures, at 1988 Olympics the victorious USSR team included 5 players from Belarus!



But almost for 20 years up to now Belarus has been wasting the talent of its youth. Salaries of children's coaches are insufficient to make ends meet. Low popularisation of handball decreases children's and parents' motivation to take up handball.

The Belarusian national team and "Dinamo" have proved Belarusians' talent for handball is still strong.

Will now the state prove the ability to display these talents? It really seems to be an urgent task. Otherwise, Belarusian clubs will have to rely on foreign mercenaries, while Belarus – to hope that its all children will, like Rutenko, sacrifice their personal profit for the motherland's sake.

Chinese Enclave in the Heart of Belarus?

650 thousand Chinese will be building an industrial park near Minsk and they have already obtained working visas.

Yaraslau Ramanchuk – an ex-candidate for Belarusian presidency – has received this information from his own sources of information. Gazeta.ru, major Russian online media, also mentioned a similar figure which it obtained from government sources.

If the information is true, Belarus will soon have one Chinese for every 14 Belarusian and an a sizable Chinese town 50 kilometres from Minsk. Belarusian state officials deny this. However, recent Belarusian history has taught the Belarusian public to be sceptical of the government's assurances. Moreover, the whole story about the Chinese-Belarusian Industrial Park rests under a veil of mystery.

Chinese-Belarusian Industrial Park

Already in October 2011 the Belarusian Ministry of Economy and China CAMC Engineering Co., Ltd. agreed on the creation of the Chinese-Belarusian Industrial Park in Belarus. Governments of both countries, China Exim Bank, and Belarusian Horizont Holding Management Company negotiated the project. Finally, on 5 June 2012 Lukashenka signed an Edict on the Chinese-Belarusian Industrial Park.

Under the Edict, the Park is going to occupy 8,048 hectares of the Smaliavichy region (Minsk district) and host high-tech and export-oriented companies. Electronics, biomedicine, fine chemistry and engineering will be among the Park's priorities.

The estimated cost of the Park's construction is about \$30bn.

Apparently, a great portion of this money Belarus is expected to come from China. Recently, Vice Prime Minister Anatoly Tozik has claimed China is already on the point of allocating \$3bn for the Park's development.

The large financial assets' coming from China to Belarus are not as rare as might be expected. By now, [loans from the Chinese](#) have enabled different state ministries to implement a couple of investment projects. China investments have flown into Belarusian [power generation and clean energy](#). By 2014 in the centre of Minsk a new Chinese hotel complex "Beijing" is going to arise thanks to a Chinese investor.

But as a rule, money from the Celestial Empire arrives in the form of tied loans. Under such loan arrangements, Belarus does not only use the money for the purchase of Chinese equipment, but also as remuneration for Chinese workers. From a financial point of view, the situation with the Chinese-Belarus Industrial Park represents a new stage in relations between two countries.

Belarus' Alluring Proposals

According to the presidential edict, the Chinese-Belarusian Industrial Park will become the most favourable place to do business in Belarus. More importantly, the Chinese-Belarusian Industrial Park has borrowed and enforced the effective incentive of High-Technology Park: taxation privileges.

Probably the most tempting perspective are the exemptions from profit, land and real estate taxes granted to all the Park's residents for its first 10 years. In addition, the income tax of the Park's employees is going to be a quarter less than for other Belarusians.

Under the Edict the Industrial Park Development Company can acquire the Park's lands with a 50% discount and even dispose of it. At the same time 60% of the Industrial Park Development

Company's charter belongs to China's CAMC Engineering Co., Ltd.

Russia Protests

Goods produced by Chinese companies in Belarus will benefit from the same special treatment in Russia and Kazakhstan as usual Belarusian goods. For example, a major Chinese automaker Geely has already become the Park's resident.

Production of competitive automobiles in Belarus seems to disappoint its larger neighbour. Already, in June 2012 the Russian Ambassador to Belarus Alexander Surikov said that Belarus' intent to start production of Chinese automobiles can become "a matter of serious discussions". "We do not want to destroy our Russian automobile industry. And that is the whole issue", – said Surikov.

Russia's claims against automobiles' construction have no legal foundation. Alexander Surikov admits: "Of course, we cannot forbid Belarus from assembling someone else's automobiles, but we note that some questions will arise [...]".

Unfortunately, Belarus still depends on Russia's favourable disposition, primarily expressed in the form of subsidised energy resources. That makes Belarusian authorities look for compromises. According to some Belarusian media, the state is now making concessions to Russia within the negotiations on merger of [Belarusian MAZ](#) and Russian KAMAZ, two post-Soviet giant automobile plants. While the merger's question has been on the allies' agenda since 2010, this November they deadlocked again.

Still, in case of Chinese motor industry's success in Belarus, such concessions may not suffice.

Even more, Russia can succeed in attacking the Park's privileges from a legal point of view. The tax privileges Belarus provides to the Park's residents may qualify as state

subsidies. At the same time some international commitments of Belarus, such as the Common Economic Space's Agreement on Unified Rules on Providing Industrial Subsidies, limit the possibilities of such state subsidies' use. Consulting the Common Economic Space's Commission on the permissibility of such measures in advance seems to be the only reasonable step Belarus can take now.

Inhospitable Belarusians?

The new project has led to inner turmoil as well. The first wave of dissatisfaction came already in January 2011. Inhabitants and summer residents of the future Park's territory protested against the construction.

At first, the reason was the fear of demolition of people's houses.

The fear grew into a mass movement. The citizens protested not only against the need to leave the settlements, but against the whole building of the Chinese-Belarusian Park. In their opinion, it will also threaten the region's ecology. One of Belarusian opposition political groups, ["Tell the Truth"](#) campaign, managed to attract the public's attention to the problem.

Belarusian officials, including Vice Prime Minister Anatoly Tozik and the Head of Minsk District Executive Committee Boris Batura, had to make numerous assurances. However, the campaign failed to implement its more ambitious goal: to hold a local referendum on whether the Park should appear. Probably, the possible result of the referendum was too obvious and undesirable for the state.

The people's strong dissatisfaction spread even far beyond the Smaliavichy region after Yaraslau Ramanchuk announced that 650,000 of Chinese are going to immigrate to Belarus for working in the Park. Russian Internet resource Gazeta.ru mentioned 600,000 Chinese. However hospitable Belarusians may

be, such a change in the country's ethnical situation seems quite shocking. The total population of Belarus is less than 9.5 million people.

The state authorities have denied the news. According to Tozik, 600,000 people is the approximate total number of employees of the Park (including Belarusians). Time will show whether the giant Industrial Park with hundreds of thousands Chinese workers will become a fact or a myth. In the past, Belarus has negotiated many large-scale investment projects, most of which failed to materialise.

Innovations in Belarus: When Dreams Come True

In the recently released state budget of Belarus for 2013, support of science features among the top priorities. This could signify a change of policy because for years state financing of science has been unacceptably low.

Even with the increase in subsidies, achievement of ambitious goals in the innovation sphere has looked quite problematic. For instance, in 2011 one goal was to increase threefold the share of R&D products in Belarusian exports. But this year the percentage of such products in the overall country's export declined by a fourth compared with 2011.

The government, however, wants to persist. Disappointed at Belarusian fundamental sciences, it is now focusing on commercialisation of intellectual property, attracting investments into innovations and hosting foreign technologies.

Foreign Investments: not just Money

Belarus has been claiming high interest in attracting investment in innovation since 2005. But only this autumn Mikhail Miasnikovich announced a new trend: Belarus prefers to attract investors with both money and technologies. The reason is that *“we have no time for adapting technologies through the full technological circle”*.

Probably, this decision comes not only from the fear of non-compliance with the ambitious goals set for 2011-2015. Belarus may turn out to be simply unable to reach the status of an innovative nation at a global level on its own.

Since 1994 the research intensity of Belarus' GDP has fluctuated by between 0.63% and 0.97%. Generally, if this index falls under 1%, the nation's scientific and technological potentials start to regress. It means that for the last 18 years the regression of Belarusian science and technologies has never stopped. Considering the technology boom which the Earth has seen during the last two decades, the negative result of such decline looks even more irrevocable.

Belarus Offers

Speaking about attracting investment, the Prime Minister emphasised that the government will provide investors with the necessary comfortable conditions: *“Our legislative basis is good enough. Both our foreign partners and international financial institutions with whom we work mention it”*.

Tax privileges are among the main hooks the state is using to attract investments. Exemption from corporate income tax (the statutory rate is 18%) granted with respect to income from sale of innovative goods of own production seems particularly attractive. Belarus also offers to innovative companies various types of free of charge assistance, such as marketing researchers and support of cross-border activities.

Tax privileges worked well in the case of the High Technologies Park. Belarus has become a global player in the software offshore market. The commercialisation of inventions will probably be more complicated. Producing software requires computers and young Belarusians. For commercialisation of an invention, construction and high quality equipment of a full plant or at least a laboratory are necessary. This means bigger investments and bigger [risks for investors](#) – another thing Belarus still “offers”...

No Science in Belarus?

The bias for the commercialisation of technologies at the expense of boosting fundamental science is not new for Belarus. Already in 2011, Lukashenka explained why he had reduced subsidies to the National Academy – Belarusian fundamental science’s cradle – by between 25 and 30 per cent. He announced the rules of the game, pointing out that the prior task now is import substitution: *“Should you provide it – we will support you, otherwise do not expect state support”*.

According to the United Nations Economic Commission for Europe, already in 2008 the share of fundamental research in the total amount of R&D financing was only 36 per cent. In the Commission’s opinion, such a trend is appropriate from the near-term outlook. However, it is questionable from long-term perspective and in future is likely to worsen the overall R&D’s potential of the country.

Another detrimental consequence of this bias is a very low, if not adverse, financial incentive for Belarusian researchers. Disclosure in October of the salary of a scientist at the National Academy of Science resonated widely in Belarus. It amounts to about \$230. A Minsk driver earns approximately between \$500 and \$1000 per month...

The figures do not only suppress innovative thinking among Belarusian scientists. They also persuade young Belarusians to

choose another way of making money, despite their possible passion for research. The trend has already caused ageing in Belarusian science: namely, the number of pensioners among doctors of science (the highest scholarly degree in Belarus) has reached 60 per cent.

Infrastructure's Failures

Still, money is not the only problem for Belarusian innovative development. The 2011 report of the United Nations Economic Commission for Europe on Belarus points to the administrative character of Belarusian innovation policy as being among the main problems.

The Commission's experts note that because of Belarus' "vertical approach" to the economy, institutions, programmes and laws have overfilled its innovations' system as well. At the same time, on the horizontal level, the infrastructure has become quite helpless.

To be clear, National Academy of Sciences conducts about 90 per cent of fundamental and 70 per cent of applied research studies. As a rule, engineering design works are the task of special departments of the Ministry of Industry. Big state enterprises act as the main customers of innovative commodities. But these actors do not cooperate with each other directly. Interaction between the National Academy, enterprises and design companies is a matter of interest and relies upon agreement between the higher state agencies to which the actors are subordinate.

The main result of such an approach is low practical implementation of existing inventions. However, it also leads to a decrease in the effectiveness of spending the finances provided for R&D. The state should probably correct this fault before blaming the National Academy of Science for insufficient results.

Will Venture Investments be the Answer?

However, the situation may improve because the government itself seems ready for changes. Belarus is about to launch a mechanism of venture investment. A special law on this issue enters into force in January 2013. Creation of the necessary infrastructure is already in process.

The state is also trying to provide practical filling for this new framework. The middle of November turned Minsk into the city of business forums. Attraction of venture investment was among the core reasons for holding the 7th Belarusian Investment Forum, International Week of Entrepreneurship, and the 1st Youth Innovation Forum in Minsk.

Venture investing does not offer a solution to the core problem: regression of fundamental science because of poor financing and a rigid administrative approach. These are the challenges foreign investors are unable and, probably, unwilling to address.

What venture investors can do, is to motivate creativity and entrepreneurship in Belarus. If the government learns not to interfere too much with the market economy, venture investments may prove very effective. But the Belarusian authorities still have a long way to go.

The Youngest Pensioners in the World

In some areas, Belarus is very much like the rest of Europe. Its population is rapidly ageing.

But unlike its western neighbours, Belarusians benefit from one of the lowest retirement ages in the world – 55 years old

for women and 60 for men. To put it into context – in Poland the Parliament recently approved the increased the retirement age to 67 for most Poles. Today pensioners in Belarus make almost a third of the population.

Still young Belarusians know little about pensioners' lives and troubles. For them, ageing people fall into two very different categories: their own grandparents and the rest. The first bunch have wise eyes, soft hands, and the tastiest pies. The second is queuing in state hospitals, selling apples near the metro, and grumbling in public transport.

Belarusian employees know that 29% of their salaries goes to support the current pensioners, but nevertheless pensions have remained remarkably low. A very unfavourable ratio between workers and pensioners (100 to 57) partially explain this. And in the future the share of pensioners will grow even further. This demographic time bomb may seriously undermine the social security system of Belarus. Now the government has proposed a new solution to the problem.

Will the Pensions' Novelty Work?

By 2020, there will be 67 pensioners for every 100 working people. Each two workers will have to support three pensioners. The socialistic pay-as-you-go pension scheme used in the country has turned into an unbearable load for the nation.

Still Belarusian authorities do not want to consider fundamental changes in the current pension scheme. Instead, the government has chosen to motivate elderly people to work longer without giving them pensions.

After the pensions' novelty has come into force, people reaching retirement age and willing to work further have to make an important choice. They may decide not to get state pensions while they work and thus increase their future

pensions. Alternatively, they can get their pensions while working after retirement age, but their future pensions will not rise.

The right choice requires a careful calculation. If people work for five years after reaching the retirement age without getting pension during these years their future pension will increase by 50%. But during these five years they do not get any state pension. The lost pensions will come back to people only in ten years after they finally retire. Considering Belarusians life expectancy, that may be too late.

Another reason for low popularity of the new rules is very high inflation rate in Belarus. In 2011, inflation in Belarus was over 100% – the highest in the world. The promise of more Belarusian roubles in the future may turn out to be rather empty.

Shall Belarus Raise the Retirement Age?

Raising the retirement age seems like the simplest solution. Now it is one of the lowest in the world: 55 years for women and 60 years for men. But Lukashenka has declared that ageing people have asked him not to raise the retirement age and therefore he will not do so.

However, just recently, a Deputy Minister of Labour declared that everybody understands the need for an increase in the age of retirement. He explained that the current threshold has existed since 1956 when pensioners had lived through war, collectivisation and the difficult post-war years. Now, according to his words, the situation has changed and people can retire later.

Although the life of contemporary Belarusians may be easier than decades ago, their life expectancy has fallen. According to Antonius Broek, UNDP Resident Representative in Belarus, in 2010 average life expectancy was shorter compared to 1970 only in 9 of 169 countries monitored by UNDP. Belarus is one of

them. Broek noted that while in 1970 Belarusians' life expectancy made 71 year, in 2010 it was only 69.6 years.

Referring to deteriorating of life expectancy since 1970, some more Belarusian statistics attract attention. The total [consumption of alcohol in Belarus](#) from 1970 to 2011 increased almost twice: up to 11.39 litres per person. The link looks obvious, and why so many people seem to ignore it is hard to explain.

Moving the retirement age up would be very unfair to Belarusian males. Now, their average life expectancy makes only 64.7 years (76.5 for women - which shows one of the largest gaps in the world).

The figures make Belarusians think once again whether it is really worth prolonging the retirement age now. Moving the retirement age up would be very unfair to Belarusian men. As it now stands, their average life expectancy is only 64.7 years of age (compared to 76.5 for women - which is one of the largest gaps in the world). Pensioners' folklore has already expressed its opinion on this matter: "From machine to coffin". Proud of its social orientation, Belarus will probably use rise of pensions' age only as a last resort.

Pensioner As a Job in Itself

The early retirement age does not mean, however, that Belarusian pensioners enjoy an easy living on their pensions.

In January - August 2012 pensioners were getting on average only about \$155 per month. For this money you can afford a average winter coat or one pair of good shoes in Belarus. How all these [people manage to make ends meet](#) remains a mystery. But it is a real miracle, that with this small amount of money that they have, pensioners still continue to give money to their children and grandchildren.

About 25% of Belarusian pensioners continue to work afterwards even without the new incentives. Many pensioners move to dachas and villages, where they grow harvest for themselves, all their relatives and even for sale. In Minsk, single elderly ladies earn by leasing a rooms in their flats, which usually benefits them even better than pensions.

In January – August 2012 pensioners were getting on average only about \$155 per month.

“Pensions would be enough if it was not necessary to help the youth” – this is what you will often hear from pensioners around Belarus. Pensioners give money to their children even if the children are living well. That represents an eternal source of parental happiness in Belarus. Hardly any economic troubles or progress will change this.

And, for sure, the main preoccupation of Belarusian pensioners is their grandchildren. By the time a Belarusian woman retires her grandchildren are often between 3-13 years old. This turns to be the best time for mothers to return to active work and grandmothers start to take on their own part in the rearing of the child. As a rule, children welcome such changes. They get the tasty dishes, an inexhaustible source of interesting stories and an everlasting atmosphere of love.

With a very strong link between generations in Belarus, it is hardly possible that the youth will ever demand a rise in the retirement age or any other measure deteriorating the position of pensioners.

Instead of thinking only about putting more pressure on those who work the government should also seriously consider considerable increases in productivity rates, longer life expectancy and a serious reform of the pension system. The latter seems to represent the easiest task. However, only when all these three elements will effectively come into play will Belarus be proud about its care of the ageing people.

Belarusian External Debt: State Gains, People Pay

There are less than three months left until 2013, the year when Belarus will have to pay out \$3.1bn of its external debt. Whether the government will manage to handle this challenge is still unclear.

The Belarusian economy has not yet recovered from the last year's economic crisis. This year's GDP growth, mostly attained thanks to export of solvents, is slowing down due to Russia's accusations of this business' illegality. The Belarusian rouble continues to fall.

Aware of the insignificant chances of covering the debt with Belarus' own assets, the authorities hope to refinance a considerable part of it. In any case, the Belarusian National Bank has Belarusians i.e. the everlasting source of assets, and a well-tested mechanism for the assets' attraction i.e. devaluation of Belarusian rouble.

Simple Solutions

For years, low external debt was a peculiarity of the Belarusian economy. Before 2007 it never made up more than \$7bn or 27 per cent of the country's GDP. People mainly ignored economists' claims that the main reason for the success was cheap Russian energy resources. They continued to live in a dream of Belarusian economic wonder.

In 2007 prices for gas imported from Russia increased two times and trouble started. As the realistic minority of experts had predicted, the country's trade balance became

negative.

By 2008, external debt had almost doubled and continued to grow afterwards. The huge borrowed assets, however, appeared to be insufficient for stabilisation of the Belarusian economy: the National Bank resorted to its citizens' funds. The Belarusian rouble devaluated by 20 per cent.

Apparently, the government liked both means of solving economic difficulties. What is the point of holding economic reforms and waiting for their long-term dividends? Debts and devaluation work much more easily! Why attract foreign capital?

After the 2011 economic crisis, Belarus experienced such government preferences in full: [about \\$34bn of external debt](#) and almost 200 per cent [devaluation of the Belarusian rouble](#). The state stepped over the safe threshold of a 60 per cent ratio between external debt and GDP, as well as over its people's trust.

Scylla and Charybdis of Debts' Refinancing

The bad side of external debt is already appearing in front of Belarusian decision-makers. They need payments. With interest. According to a recent statement from the Belarus Minister of Finance Andrei Harkovets, "next year Belarus enters into the period of culmination repayments of its external debt".

He added that the state is going to refinance half of the debt. Clearly, he did not add that this was because the government did not manage to use the loans properly.

In 2013 the state will have to pay out \$3.1bn. Harkovets hopes to get \$0.9bn from the Anticrisis Fund of the Eurasian Economic Community and issue Eurobonds once again. In the current situation, both options are quite alarming. The first

is loaded with more dependence on Russia, the second with a heavier debt burden.

Cordial Russian Welcome

In June 2011 Belarus entered into a Loan Agreement with the [Eurasian Development Bank](#), being the Anticrisis Fund's managing institution. It is now counting on receipt of three resting loan's instalments of \$440m: one in 2012 and two in 2013.

Their transfer is, however, subject to a set of preconditions. Inter alia, the Belarusian authorities have undertaken that in 2012 they will carry out privatisation of state property for up to \$2.5bn. Up to now, they have not made any serious attempts to sell state assets.

In the circumstances of noncompliance with its contractual obligations, Belarus hopes that the Anticrisis Fund will support its economy. Actually, that means Belarus counts on Russia. The big eastern neighbour's share in the Anticrisis Fund's capital is 75 per cent and it has the same amount of votes in the Fund's Council.

Whether Russia will provide support to Belarus just because it is Russia's loyal ally is no longer up for question. It will not. The only remaining question is how much of Belarus' independence will live through the consequences of such support.

Mind the Rates

Eurobonds is an instrument which does not depend directly on third countries' political will. But raising money through Eurobonds is very expensive. The yearly interest Belarus is to pay under Eurobonds is up to 9 per cent annually, while, e.g., the loans from the International Monetary Fund imply paying at the rate of only 2-4 per cent per year.

Some bonds with lower interests Belarus will to place within its borders. In the near future, they will become available to Belarusian companies; by the end of the year to individuals. Their supposed interest rate is going to be about 6-7 per cent annually.

So, Belarus will repay cheap International Monetary Fund's loans with new ones, which are almost two times more expensive. Yet again: this money is not going to boost the Belarusian economy. It is just to cover earlier debts. They will say the people "have eaten this money". But most Belarusians do not remember any luxury dishes on their tables.

Stuck between the threats of falling into bigger debt and dependence on Russia, Belarus should feel nostalgic about International Monetary Fund's loans. However, in March 2012 the World Bank's institution refused to refinance Belarus' debts. The main reason was lack of economic reforms in the country. Is the opinion biased? Probably not. A prudent creditor would never finance a debtor who makes no use of borrowed money.

In fact, however, the government may still postpone deep worries about the money – it still has a 9.5m population. They cannot and will not say no to a new devaluation.

The Rise and Fall of Affordable Housing in Belarus

Whether you arrive in Minsk from the airport, bus or railway station, one of the first things you notice is abundant construction. You will see construction sites almost

everywhere.

New shiny office buildings of glass and concrete grow in the centre. On the outskirts you'll mainly see multistory block residential houses. Subsidised loans is one explanation of this boom.

A sad truth here is that Minsk seems to be the only place in Belarus where life is really bubbling. Growth of other Belarusian cities is slow and continues thanks to strong urbanisation processes and migration. In rural parts of the country population is decreasing dramatically – up to 4% during 2011, and the state encourages people to move to rural areas by offering free housing in newly constructed buildings.

Rush for Flats

Population growth rate in Belarus has been negative already for many years. But demand for improvement of housing conditions never stops. In Minsk it is, for sure, the greatest. Flats, however, cost no less than in many Western European capitals. And Belarusians with their less than \$500 average monthly salary are usually unable to satisfy housing needs independently. That is probably why within the last five years over 60 per cent of new flats were built with state support.

Before 2011 subsidised loans were the main form of state support. Those who managed to prove their compliance with special criteria such as being a large or young family, living in a dorm for over than 10 years could get such loans.

State support recipients were getting loans for construction of new flats at annual rate of 5% (sometimes even 1%) for the period of up to 40 years. In the meantime, even before the economic crisis of 2011, Belarusian rouble's inflation varied around 10-12%.



Mock marriages, large families for the pure sake of getting loans became an unspoken part of Belarusian reality. Compared to 2006 the official list of people in need of housing conditions' improvement in 2012 increased by more than 50%. By 2012, however, this state generosity started to crumble.

Justice à-la Belarus

Destructive effects of Belarusian social programmes on its financial situation have always been manifest to those who understand economics basics. Thanks to the 2011 economic crisis the sad consequences became clear even to Belarusian authorities. In June 2011 banks suspended approval of new subsidised loans.

Subsidised loans reappeared only in April 2012 after the president cut the list of state support's addressees more than twice. About 400 families had to say goodbye to their dreams of better housing conditions. Those who managed to benefit from subsidised loans suffer as well.

Lukashenka ordered to unmask the lessors of flats acquired thanks to state aid and to take such flats away from them. The society has quickly divided into two parts in relation to the issue. Some people consider the president's threat to be just: the state should bring the cheaters to responsibility. Others argue that such deprivation would be illegal.

In a country with developed rule of law and respect for private property the latter position would probably prevail. Belarusian law does not provide for taking any flat away if it is rented. Consequently, any deprivation on these grounds is impossible. But Belarus is the country where the president rules. If he decides to implement his "just" idea, that will not take a long time.

We Are Where We Live

As a result of the need to build many flats in Minsk quickly the absolute majority of new houses are block houses. Affordability of block houses' flats is one of the most important reasons of their popularity. Such buildings usually have no special decoration and are very similar in their design. What is even worse, many are build close to historical buildings in the centre of Minsk depriving it of its old European charm.

Many blocks of flats look similar. Getting to a newly built outskirts region reminds Minsk residents of a popular Soviet comedy where one drunk person confused his own flat in Moscow with another flat in Leningrad – the only difference between houses was their addresses. The only novelty about today's block houses is the multitude of their colours.



At the same time foreign investors have recently started to finance construction of improved comfort buildings. The advantages of their outer and inner design are obvious and citizens consider them as a desired escape from their accommodations' uniform.

However, because Belarusians still have a rather low purchasing power, realtors forecast that sale of the improved apartments may take up to 7 years.

Village Paradise

Incubator architecture is common not only for Minsk residential houses. Belarusian agrotowns is another bright example. For sure, it was Lukashenka who introduced the village paradise with urban benefits. Since 2005 about 1500

such towns have grown in the whole country. The cost of each of agrotown amounts up to \$1 mln.

Some agrotowns appeared from scratch, others developed in the already existing settlements. But irrespectively of their history and geographical location, all agrotowns look the same. As with blocks of flats the main difference is addresses and colours.

These new buildings are supposed to attract young professionals to Belarusian villages. If they decide to move to the rural area, they can get one of such houses for free. However, lower salaries and lack of career opportunities in rural areas make young university graduates less enthusiastic about agrotowns.

Young Belarusians prefer to struggle for a small flat in a huge block of flats in Minsk rather than get a separate house in rural area for free.

Belarus in 2012 Olympics: High Hopes and Bitter Dissappointments

The 2012 Olympic Games brought little happiness to Belarus' team: not matching even half of their expectations and receiving the fewest medals ever.

This means trouble for Lukashenka's plans to restore the image of Belarus' overall prosperity thanks to athletics. Yet during the Games, the disappointed President promised tough showdowns for Belarusian sports state authorities.

The bitter impression made on Belarusians by the Olympics only worsened once they were over. On 13 August, the International Olympic Committee stripped Belarusian shot putter Nadzeya Ostapchuk of her gold medal because she failed a doping test for the anabolic agent metenolone. Ostapchuk denies the accusation.

Planned sports for a planned economy

Twelve medals for a country with a population of 9.5m is not really a bad result. Belarus' current GDP and corruption international rankings are far more frustrating. However, for some reason the 2012 Olympics caused an unfavourable resonance in Belarus. The first and simplest explanation is that Belarusians expected more from their countrymen.

The grounds for great expectations first appeared in March 2012 when Alexander Lukashenka raised a very high bar for the Belarus team at the Olympics. He wanted them to win 25 medals. Sportsmen and coaches noted the unlikelihood of such an achievement, but the president insisted that the calculation was "iron", and "that it will be a great surprise if we do not get our medals".

Later the same figure was announced by the Minister of Sports and Tourism and little by little flooded the Belarusian media. Lukashenka's ambitious plan turned out to be what everybody had expected. "The president said – the people achieved" is a working scheme for any authoritarian country, though only when the results avoid external and unbiased evaluation.

The Olympics have acted as a touchstone for Belarusian sports. They showed that it is not only the planned economy that does not work: The Belarusian team's overall medal standing was worse than ever before. In contrast to this year's 12 medals, the country earned 15 in Atlanta, 17 in Sydney, 19 in Athens, and 15 in Beijing.

Unfaithful medal of Nadzeya Ostapchuk

Depriving Nadzeya Ostapchuk of her gold medal was the final blow inflicted on Belarusians by the Games. According to the International Olympic Committee, Ostapchuk's samples taken in early August showed the presence of metenolone – an anabolic agent forbidden by the rules. The sportswoman does not accept her guilt and hopes for a change in the verdict.

The accusation is indeed questionable. Several months before the Olympics Ostapchuk passed a number of doping controls: twice in May, three times in June and twice in July. The last testing took place on 30 July in Cologne. All results were negative.

Consequently, in order to have metenolone in her samples Ostapchuk must have taken it after 30 July. At the same time, as the Director of Belarusian National Anti-Doping Agency authoritatively claims, there is no point in taking this particular drug on the eve of the competition. It becomes effective only over a longer period.

Nadzeya is going to challenge the International Olympic Committee's decision. The experience of Ivan Tsikhan and Vadim Devyatovskiy has proved that appealing such verdicts can be successful. The two Belarusian athletes were accused of taking banned drugs and deprived of their medals. To restore their rights, Tihon and Deviatovsky referred to the Court of Arbitration for Sports. In 2010 the case ended in the withdrawal of the accusation to both athletes and they solemnly got their Olympic medals back.

Whether the same happy end awaits Nadzeya is difficult to predict. In any case Belarusians are eagerly waiting news on her case.

The Soviet sports heritage

Among the thousands of Belarusian authorities' convictions

inherited from the USSR is that “the Olympics are like military actions, but during peace time”. While Lukashenka has only implied this, the Minister of Sports and Tourism voiced this statement to the sportsmen explicitly.

Indeed, such a perception of the Games by the more senior Belarusian sports officials is comprehensible. Superpowers’ athletic confrontations were one of the remarkable aspects of the Cold War. Mutual boycotts of the Olympics in Moscow and Los Angeles by the Soviet Union and the USA in 1980 and 1984 and more than 40 years of tough rivalry have left a deep mark on Soviet – now post-Soviet – minds. The 21-year-long sovereign history of Belarus could not eliminate these stereotypes, particularly in the context of strained relations between Belarus and the West.

On the other hand, the fanatic Soviet attitude to sports has worked in Belarus’ favour. Vitaly Sherbo, Olga Korbut and Aleksander Medved are still evidence of sports’ contributions to Belarusians’ national pride and patriotism. Even now eight out of the 12 medals won were won in Soviet Belarus’ traditionally successful sports: weightlifting, shooting, sprint canoeing, and gymnastics.

Unfortunately, this year’s results suggest that the positive heritage of the USSR fades more quickly than the negative one. Belarusian authorities still view sports as a part of a [bigger political picture](#), as a chance to confront the West. Lukashenka said that sports are “dirt and corruption in all directions” soon after he was [denied a visa](#) to attend the Olympic Games in London.

Time will show whether the Belarusian authorities will be able to go beyond viewing sport as merely a geopolitical tool.

Programmers in Belarus: the Cream of Society

The 2012 university admissions campaign in Belarus has just finished and reflects a very interesting trend. However good Belarusian higher education is for engineers, physicists, and mathematicians, that does not seem to matter to young people anymore. They want to become programmers. That means representatives of almost the only profession that guarantees them independence and a decent living standard immediately after and even before graduation.

A decade ago the cliché IT specialist image in Belarus included uncut hair, a worn-out sweater and other attributes of a modest bachelor's life. Now they form a distinct Belarusian – primarily Minsk – cohort with a label of successfulness and independence unparalleled in other sectors of the struggling Belarusian economy. To a large extent this happened due to the reasonable regulatory approach to the IT industry in Belarus.

Wealthy Boys and Girls

According to the Belarusian National Statistics Committee, the average programmer's salary approaches \$1,300 per month. It is about three times higher than the average salary across the country, which currently is less than \$450. Employment websites are full of vacancies for IT specialists. Competitions for the title of the *Best IT Company to Work For* become more popular to attract the brightest. Public respect is taken for granted. All these advantages target primarily a group of young people in their 20s who have recently graduated from Belarusian universities.

Saying that programmers are just lucky would be unjust. Their efforts and talent deserve real respect. This year once again,

in the Belarusian State University passing scores to the programmers' alma mater – Faculty of Applied Mathematics – were considerably higher than to any other natural science faculty: 321-345 (depending on speciality) out of 400 possible points. Passing scores for most other natural science specialities remained well below 300.

But even the admittedly talented students find curriculum of the Faculty of Applied Mathematics difficult. At the same time, they have to do plenty of extra-curriculum studies, because the university provides only basic knowledge of programming languages.

However, the graduates get paid for every drop of their efforts because the Belarusian IT industry is ready to remunerate their skills and continues to grow.

High Technologies Park

The favourable environment for IT business in Belarus started to develop in 2005 with the adoption of the presidential decree “On the High Technologies Park”. The decree established the High Technologies Park for 15 years to support the national software industry. Since that time the High Technologies Park represents a specific part of the territory of the city of Minsk and its residents have a number of benefits in the spheres of taxation, immigration and foreign currency transactions.

Tax benefits are probably the most impressive. For instance, the High Technologies Park's residents are not subject to profits tax, VAT on turnover from sale of goods and rendering services in the territory of Belarus, or customs duties and VAT with respect to goods imported into Belarus. Preferential personal income tax rate (9 per cent instead of statutory 12 per cent) applies to profits of individuals earned working at the High Technologies Park. Withholding tax rate on income from dividends, interests, royalties if the source of payment

of such income are significantly lower than the normal rate.

Thanks to the favourable legal environment, the High Technologies Park has expanded quickly and currently hosts 109 residents. Half of them are foreign companies and joint ventures. Branches of world leaders in software production of Belarusian origin such as EPAM Systems, Sam Solutions and IBA Group are also among the High Technologies Park's residents. The list of consumers of the High Technologies Park's software includes Mitsubishi, British Petroleum, London Stock Exchange, World Bank, Coca-Cola and many others.

Stop the Brain Drain

There is nothing unusual about big demand for Belarusian programmers. Respect for post-soviet schools of math and physics that laid the foundation for programmers' qualification has always been high. But until recent years that resulted in a huge outflow of bright graduating students to foreign countries.

Despite their interest in Belarusian programmers, major international companies were unwilling to enter the market even for outsource out of prudence. The High Technologies Park's tax incentives became the second and decisive reason for starting an IT business in Belarus. Success of the first foreign IT companies attracted others, and finally Belarusian programmers became able to find good jobs in their home country.

Belarusian programmers still earn much less than their USA colleagues – about \$88,000 a year in the USA compared to approximately \$15,000 in Belarus. However, this can allow for quite a well-off life thanks to Belarus's relatively low cost of living. For example, monthly rent for a good two-bedroom flat is about \$370. Since the difference in real income is not that striking, programmers take into account their wish to be with families and friends and often choose to stay in Belarus

rather than go overseas.

End of the Fairy Tale?

While programmers prosper in Belarus now, many predict the end to their era and explain such apprehensions by the forthcoming oversaturation of the Belarusian labour market with skilled specialists. However right was the concept of diminishing marginal utility as such, it is too early to apply it to IT in Belarus. The export share in the total production volume of the High Technologies Park is 80 per cent. That means that it is only the world's labour market saturation which they should be afraid of, which is very unlikely.

In the meantime, what seems to be a real threat to the current peace and quiet is that in 2020 the privileges of the High Technologies Park will terminate. Will doing business in Belarus still be so attractive to IT companies? It is not only programmers who worry about this. The best of them will always have the chance to get a job abroad. But the IT sphere feeds a number of related professions and administrative staff, provide the country with foreign currency and accelerates consumption in the country. This is a challenge Belarus is going in eight years, and it is already time to think about it.

Belarusian Solvents: A Tricky Path to Economic Growth

Despite the proclaimed common Russia-Belarus way to prosperity within the Customs Union, neither country is ready to sacrifice individual economic interests for this cooperation.

On 24 July Russia stopped railway deliveries of straight-run

gasoline – the main raw material used in solvents' production – to Belarus. This was the culmination of this summer's solvents conflict. The measure is timely, but is likely to result in considerable deterioration of Belarus' economy's performance.

During the first five months of 2012 Belarusian trade and services surplus amounted to \$3bn, compared to the yearly forecast of \$1-1.5bn. For Belarus, which suffered greatly from insufficiency of foreign trade last year, these results were a real success. The joy has, however, faded away due to quite unexpected revelations.

The pleasant figures resulted from Belarus' evasion of its obligations under the terms of the Russia-Belarus oil agreements. Belarus started to export oil products under the label of solvents – liquids used for dissolving other substances, manufactured with use of straight-run gasoline, but not classified as oil products. That meant Belarus' economic growth is achieved at Russia's expense.

Solvents were among most widely exported Belarusian products for a long time, but this year the growth rate of their export became almost unbelievable. The increase in export of solvents during January – April 2012 compared to January – April of last year made Belarus \$1.472m. The cost of their export to countries outside the Customs Union during January – May 2012 amounted to \$2.180m. In the Belarusian export structure their export's share amounted up to 10.4%.

Rise of the Conflict

The rise of solvents' exports attracted the attention of Russian authorities already in the spring of 2012, and the suspicions that Belarus' exported oil products under the solvents' label started to grow. On the official level there was no place for such concerns until June 6, when Russia's ambassador to Belarus Aleksandr Surikov noted that *“Belarusian*

import of Russian oil products increased several times, including four times during 2012". He also added that "Belarus imports more than it needs for internal consumption" and that "in the Customs Union some reports of solvents and thinners, not being subject to duties, have appeared".

The Head of the State Customs Committee of Belarus quickly assured authorities that all oil products' deliveries were legal, but this did not satisfy Russia. On 15 June, Dmitry Medvedev instructed the authorised Russian state bodies to analyse the situation with the solvents. The investigation resulted in a declaration by the Russian Deputy Minister of Finance that Belarusian solvents may serve as "a cloak for the export of oil products".

However, there has been no single direct evidence of such violations yet.

Oil Agreements

During the period of the Customs Union's creation, the two countries agreed that Belarus would be entitled to import Russian oil on a duty-free basis, but also undertook to transfer to the Russian budget the whole amount of export duties on "crude oil and certain categories of products produced from oil ("oil products")" exported from its territory to third-party countries. Export duties from the extraction of its own oil (estimated 1.7m tonnes a year) go to the Belarusian budget.

The agreement aimed at settling the [long-lasting oil wars of 2010](#) between the two countries. And until now it coped with this role. Russia delivered oil to Belarus without any duties' requirement. Belarus, in compliance with its international obligations, transferred to the Russian budget \$3.07bn of export duties on oil products exported to third-party countries in 2011. In January-April 2012 the amount was \$1,472.6m. The business seemed to be mutually beneficial.

The solvents never were within the scope of the agreement before, since they are not classified as oil products. Accordingly, Belarus has not transferred to Russia export duties on solvents. At the same time, if Belarus actually exports oil products under the solvents' label, it turns out to be guilty of evading its obligation to pay the export duty on them to Russia and threatening the fragile oil truce.

Economic and Political Interests

GDP growth of Belarus may decrease by 50%

The amount of money at stake aggravates the situation. The alleged losses to the Russian budget from the illegal export of solvents amounted up to \$1bn. According to Belarusian economic analyst Yaraslau Ramanchuk, if the same rules as those established for oil products apply to export of solvents, GDP growth of Belarus may decrease by 50%. But for these figures, the countries would probably avoid a revelation of these types of troubles to preserve the image of successful Belarus-Russia cooperation.

The political factors, however, can also play a negative role: the truth about this whole situation may never come to the surface. However widely announced the discussions of the solvents' problem were by the prime ministers of the two countries, all we know is that the two states agreed to examine the case and to right a wrong. Though the top-level meetings took place more than two weeks ago, their findings have not been published.

There, of course, may be one more reason for this silence. If Russia's allegations are justified, the question of who is guilty is going to arise. And the answers may be unpleasant. Belarus has two major solvents' exporters, one of which is Triple, famous for its owner's very close relations with Alexander Lukashenka.

Could the solvents be illegally exported in such great amounts without participation of Triple and could the head of Triple act without authorization from higher-ups? Belarus analysts also claim it is a rhetorical question whether Belarus could implement the alleged scheme without Russian oil oligarchs' participation.

WTO v. Customs Union: Russia Decides

As Russia is finalizing the terms of its accession to the World Trade Organization, Belarus struggles to understand what this accession will mean to it. The question is difficult and important because Belarus closely cooperates with Russia as member of the [Customs Union](#) and the Common Economic Area.

On 16 December, 2011 the WTO trade ministers accepted Russia's bid to join the WTO. Even under the most optimistic forecast Belarus will only follow its larger neighbor in 2-3 years. The idea of accession of the Customs Union to the World Trade Organization as a single entity had been popular for a while but has now sunk into oblivion.

A few things will certainly change for Belarus: customs rates will decrease and non-tariff measures will change in relation to the goods imported from the WTO members. This may benefit Belarusian consumers but hurt Belarusian producers. Although the precise effect of Russia's accession deserves a serious study, one can also hope that approximation of the Customs Union's non-tariff measures to those of the WTO will make regulation of Belarusian imports more liberal and transparent.

The Effect of Customs Rates Changes

The so-called Schedule of Goods was among the most important documents Russia had to prepare in the final stage of its accession to the WTO. This document stipulates Russia's final inbound rates – the customs rates which it must implement if they differ from the rates effective as of the date of accession. Russia presented its commitments to the WTO in front of the Customs Union Commission on November 18, 2011.

The rates stipulated in its Schedule of Goods were approximately 3 per cent lower than the ones currently stipulated in the Common Customs Tariff. The biggest difference is in the rates for agricultural products, household appliances, and vehicles.

The question is what this Schedule of Goods means for Belarus. It may sound counterintuitive but the obligations on rates will automatically apply to Belarus. This follows from the Agreement "On Functioning of the Customs Union Within the Framework of the Multilateral Trade System". It provides that from the moment of accession to the WTO of the first party to the Customs Union the rates of the Unified Customs Tariff will not exceed the import customs rates indicated in the Schedule of Goods attached to the protocol of accession of such party, unless otherwise provided in the WTO Agreements. The WTO Agreements say nothing on this matter.

As a result Russia's obligations with regard to import rates to the goods from other WTO members will be equally applicable to Belarus and Kazakhstan as members of the Customs Union. In other words, not only Russia will have to open its market to cheaper imports but Belarus will have to do the same. This may be good for Belarusian consumers but may hurt Belarusian exporters.

As for the rates applied by the WTO members to the goods exported from Belarus, the situation is quite different. Russia's WTO partners do not undertake any customs tariffs

obligations with regard to exports from Belarus and Kazakhstan. Within the WTO the customs rates depend on the country of origin of goods, and the rates agreed with Russia will be applied to the goods originating from Russia only. In other words, WTO member states will have to lower their customs rates to goods originating from Russia, but not from Belarus.

The Effect of Non-Tariff Measures

Many Belarusian exporters optimistically think that the Unitary Certificate of Compliance of the Customs Union issued with respect to the goods originating from Belarus will ensure a more favorable treatment in accordance with the WTO agreements. Unfortunately their optimism is not justified for the same reason that the WTO members treat goods depending on their origin. Belarusian exports will still originate from Belarus. At the same time the goods of the WTO members imported into Russia will benefit from the privileges of these Agreements, and will be granted certificates of compliance on more favorable terms.

However, in the sphere of technical, sanitary, and phytosanitary measures Russia's accession to the WTO can bring a few very positive trends to members of the Customs Union. Russia undertakes an obligation to bring the regulation of these measures into compliance with international standards. The Customs Union applies unified sanitary, epidemiological, and hygienic measures and their adjustment to the international standards may make them more liberal and effective.

The Customs Union member States also tightly cooperate in the area of technical regulations. A number of technical regulations of the Customs Union are still to be adopted. To comply with relevant international standards, Belarusian business may only benefit from it, especially in the long run.

Additionally, Russia is going to undertake an obligation on transparency of the procedure of certification of compliance. Those who want to export goods to Russia will be entitled to appeal denial of import permits and to obtain detailed explanations of such denial. Introduction of the same rules within the whole Customs Union is not required under its legislation, but because the parties to the Customs Union committed to coordinate their policy related to technical regulation, this undertaking may improve the transparency of this field in Belarus as well.

A long list of factors is yet to be analyzed to assess the effect on Belarus of Russia's accession to the WTO. But it is already clear that the expected changes in customs rates, technical, sanitary, and phytosanitary regulations will greatly affect Belarus. The existing analysis of this effect is still very weak and Belarus needs to seriously study it to make sure it does not become a passive object of Russia's decisions.