

A visit from Erdogan, investments from the Gulf, labour migrants – Belarus state press digest

Lukashenka expresses concerns over the 'growing antagonism' in EU-Russia relations during a meeting with a delegation from the Political and Security Committee of the Council of the EU. Recep Tayyip Erdoğan, together with a delegation of Turkish businessmen, pays his first official visit to Minsk.

Belarus seeks to establish closer cooperation and attract investments from the UAE and Qatar. The VIII International Investment Forum 'Melnitsa Uspekha' in Mahilioŭ results in investment deals totaling \$250m. 24,000 labour migrants came to Belarus in 2015, working mainly in construction, education, and trade.

This and more in the new edition of the state press digest.

Politics

[Belarusian President expresses his concerns over Russian-EU relations](#). On 21 November Lukashenka met with a delegation from the Political and Security Committee of the Council of the EU, writes *Belarus Segodnya*. Lukashenka mainly focused on the 'growing antagonism' in EU-Russia relations. He stressed that Belarus prioritises neither the EU nor Russia, and strives to develop relations with both parties.

The president also pointed out that Belarus remains the only country among the Eastern Partnership members not dealing with a military or frozen conflict. Belarus and the EU have already

taken the first steps towards normalising relations by establishing a Coordination Group.

[Aliaksandr Lukashenka holds a press-conference for Russian regional media.](#)

On 17 November the Belarusian president spoke with more than 100 journalists and bloggers from 46 regions of Russia, reports *Zviazda*. The conference covered many topics ranging from media freedom in Belarus to Belarusian migrant workers in Russia.



Over the last year Lukashenka has experienced difficulties in relations with Russia, primarily due to the economic crisis in the region. However, he promised that the average salary in the country would reach \$500 in the next year. Lukashenka believes that Belarus has a sufficient level of media freedom. Although the state gently urges journalist to support the government, generally the official media produce unbiased materials. Lukashenka also highlighted that the government prioritises human rights and justice.

[Turkish president pays his first official visit to Belarus.](#)

Recep Tayyip Erdoğan, along with a delegation of Turkish businessmen, came to Belarus to discuss bilateral relations. Although this was the Turkish leader's first visit to Belarus on the highest level, Aliaksandr Lukashenka affirmed that the two leaders have had 'kind relations for almost a decade', reports *The Minsk Times*.

The Belarusian-Turkish forum, which took place in Minsk during the visit, attracted around 200 Turkish and 300 Belarusian businessmen. Lukashenka and Erdoğan also took part in the opening ceremony of the new Cathedral Mosque in Minsk, the construction of which Turkey financed.

In a joint communiqué, the two heads of state mentioned machine building, the agricultural industry, transport and logistics, textiles, and science as priorities for economic collaboration. They also stressed their determination to coordinate their foreign policy and provide mutual support in international organisations. The two parties outlined a concrete plan of cooperation for 2016-2017.

Economy

[Belarus seeks investment from the Gulf Countries.](#) Lukashenka's recent visit to Qatar and the UAE is evidence of Belarus's interest in cooperating with these countries. The strong economic and energy positions of Qatar and the UAE are the main factors motivating Belarus to establish closer cooperation and attract investments from the Gulf states, writes *Zviazda*.

Although Qatar and the UAE invest mainly in the hotel industry, logistics, and banking, Belarus expects the two states to consider investing in other areas as well. Belarus will continue to export dairy products and machinery to Qatar and the UAE, while the timber industry and the high-tech field are two other fields in which future cooperation may be possible.



[VIII International Investment Forum 'Melnitsa Uspekha' in Mahilioŭ gathers around 500 businessmen, officials, bankers.](#)

Representatives of 32 countries, including Poland, Russia, China, Germany, and Japan came to Mahilioŭ on 4-5 November, writes

Mahilioŭskija Viedamasci. The investment portfolio of the

Mahilioŭ region proved one of the central events of the forum. As a result of the forum, the region initiated projects totaling \$250 million.

At the opening ceremony, permanent UNDP representative Sanaka Samarasingha noted Belarus's success in decreasing the poverty rate, although she also mentioned that Belarus needs to make improvements in its education and healthcare spheres. Belarusian Minister of Economy [Uladzimir Zinoŭski](#) highlighted the significant role of Belarus in linking the Eurasian Union with the European Union.

[Head of Rosatom Aleksei Lihachev visits the Belarusian nuclear power plant](#). He affirmed that the Belarusian NPP has a high level of safety. Rosatom recently introduced a similar system at the Novovoronezh NPP, writes *Soyuznoye Veche*. The company noted that it bears full responsibility for the safety of the Belarusian NPP. Currently, the Belarusian side takes care of around 70% of construction, while Russian organisations deal with the remaining 30%. In total, 5,000 workers are employed in the construction of the Astraviec NPP.

Society

[Chinese lead among labour migrants in Belarus, Ukrainians second](#). 24,000 migrants came to Belarus in 2015. Currently, a total of 1,827 migrants in Minsk region have a work permit. According to Belarusian legislation, employers have to publish an official call for any position. If the company cannot find a Belarusian candidate within 15 days, it has the right to hire a foreigner.

Narodnaja Hazieta cites expert [Kaciaryna Barnukova](#): 'People are afraid of migrants because they are perceived to rely excessively on social benefits. However, social benefits in Belarus remain inaccessible to migrants'. The majority of labour migrants come to Belarus from China (6,413 in 2016).

Ukrainians hold the second position, with 4,754 workers in 2016. However, external migration is not the only way to fill gaps in the workforce. Internal migration of people living close to big cities should also be considered as an option.

The state press digest is based on review of state-controlled publications in Belarus. Freedom of the press in Belarus remains restricted and state media convey primarily the point of view of the Belarusian authorities. This review attempts to give the English-speaking audience a better understanding of how Belarusian state media shape public opinion in the country.

Belarus-Turkey Rapprochement: Minsk Refuses to Fight for Kremlin and its Allies

On 14-15 April Belarusian president Alexander Lukashenka took part in the Istanbul summit of the Organisation of Islamic Cooperation (OIC).

This trip triggered another wave of derisory criticism in the Russian media. Even *Kommersant*, the liberal Russian daily, wrote about the 'demonstrative rapprochement of Ankara and Minsk' against the backdrop of deteriorating relations between Belarus and Russia.

No wonder Lukashenka while in Istanbul met Turkish President Erdogan, whose relations with Moscow remain hostile after the Turkish air force shot down a Russian jet late last year. The Belarusian president even invited Erdogan to visit Belarus. Belarus' recent refusal to support another Russian ally, Armenia, in its conflict with Azerbaijan makes Lukashenka look disloyal to the Kremlin.

Moscow refuses to accept anything but total support for its policies. Anything else, in the Kremlin's view, is treason and enmity. And Minsk refuses to deal in such black and white categories.

Minsk approaching Erdogan and his friends

Minsk is much more interested in [cooperation with Turkey](#) than vice versa. Commenting on recent contact between the Belarusian and Turkish leaders, *Kommersant* argued that Turkish President Erdogan 'is getting a chance to play the "Belarusian card" in relations with Russia.'

So far, however, Erdogan has displayed no interest in doing that. First, his meeting with Lukashenka was just one of a series of meetings he held with participants of the OIC summit of a comparable level.

Minsk is simply consolidating its ties with the block of conservative Middle Eastern regimes associated with the West

Secondly, Turkish officials made no statements to indicate their intention of playing a 'Belarusian card', nor did the Turkish media display any interest in Lukashenka's visit, only mentioning it on the sidelines.

Joining the OIC as an observer, Minsk is simply consolidating [its ties](#) with the block of conservative Middle Eastern regimes associated with the West, like the Arab monarchies of the Persian Gulf, Turkey or [Pakistan](#). It is this block that dominates in the OIC. This foreign policy orientation of Minsk is evident from the meetings Lukashenka had in Istanbul with Qatari Emir Tamim bin Hamad al-Thani and President of Pakistan Mamnoon Hussain.

Just before that, President Lukashenka's son, [Viktar](#), on 29-31 March visited Qatar, another country that has tense relations with Russia and its allies. Viktar openly met high-level officials of that country.

That demonstrative contact contrasted with Minsk sending to Russia's ally, [Syrian President](#) Bashar Assad, just a delegation of the Belarusian Communist party, a marginal political force. The Belarusian communists brought Assad a message from the Belarusian leadership and a painting with the ambiguous title *Victory Day*.

Armenia angry with Belarusian government

Certainly, only few experts noticed these eloquent details of Belarusian foreign policy in the Middle East. Other moves by Minsk, however, attracted the attention of many Belarusian and foreign media outlets, namely its position on the revived [conflict around Karabakh](#).

First, on 2 April the Belarusian foreign ministry responded to the beginning of a new round of hostilities in Karabakh with a statement which underlined the inviolability of international borders and territorial integrity. It irritated Armenia because in that context it meant supporting Azerbaijan, which demands recovery of all the territories that belonged to Soviet Azerbaijan.

Despite a harsh reaction from Yerevan, Minsk on 4 April issued a second statement which implied that Belarusian troops could not be sent to participate in foreign conflicts. That meant a blow to the structure of the Moscow-dominated [Collective Security Treaty Organisation](#) (CSTO) which Yerevan had hoped to involve in its conflict with Azerbaijan.

Minsk then drew the final line as the Belarusian parliament adopted – also on 4 April – the new national military doctrine. The norm of not sending Belarusian troops to conflict zones abroad has existed in Belarusian legislation since 1991 and the new doctrine merely reiterated it.



But in a tense atmosphere, as Yerevan tried to use the CSTO in its confrontation with Baku, Minsk's adoption of the new doctrine was interpreted differently. The Armenian media, such as *News.am*, saw the rapid adoption of the Belarusian military doctrine as Minsk's response to the new outburst of hostilities in Karabakh□.

At any rate, the doctrine indicated Belarusian unwillingness to side with Armenia and undermined the coherence of the CSTO. On 15 April Deputy Foreign minister of Armenia Shavarsh Kocharyan publicly announced that the new Belarusian military doctrine was causing concern for Armenia as a CSTO member. Yet Minsk also knew perfectly well that its moves with regards to Karabakh would also irritate Moscow.

Swimming away from Putin's *Titanic*?

Moscow, as usual, smells treason, but Minsk is just struggling to find a [middle way](#) between Russia and its numerous opponents in the West, former Soviet Union or Middle East. It recognises some interests of Russia which the Belarusian government considers legitimate, and, for instance, [continues to participate](#) in the Single air defence system.

At the same time, Belarus is demonstrating that it refuses to follow those of Putin's policies which have already entangled

Russia in political and military confrontation with numerous countries. But Minsk resists these Kremlin policies not on ethical or moral grounds.

The Belarusian leadership apparently believes that these Kremlin policies are doomed and based on shaky grounds. Lukashenka knowingly made fun of Russia's 'historic' claims to Crimea, suggesting that it might mean the transfer of most of Eurasia, including Russia, to Mongol administration, since historically Mongols owned these lands.

According to Belarusian political commentator [Valer Karbalevich](#), after Russia fell out with Turkey last November, "Russia, which had been a source of support [for the Belarusian government], turned into a source of problems. It is time to swim away from [drowning Putin's] *Titanic*."

That would be a difficult task given the irreplaceable role played by Russia in the Belarusian economy. Nevertheless, Minsk has already succeeded in distancing itself from risky Russian and other countries' endeavours in international politics by referring to international law.

Belarus has denied legitimacy to a variety of different political projects, including the secession of Kosovo, South Ossetia, Abkhazia, Crimea (though with reservations) and now Karabakh□.

It has also consistently refused to support major Russian foreign policy moves: not only in some faraway places like the Middle East but also in Eastern Europe where Minsk struggles to maintain good relations with Ukraine and repair relations with the West.

The recent Belarusian moves on Karabakh□ and its relations with the OIC demonstrate that Belarus continues to move in the same direction.

Wars in Syria and Ukraine Make Belarus More Important

After the Turkish downing of a Russian aircraft in Syria last month, Minsk refused to join Moscow in its accusations and recriminations against Ankara. It just lamented what happened between its “Russian ally” and “friendly Turkey.” Needless to say Minsk has also not supported any of the Russians sanctions imposed on Turkey.

Belarusian state media openly doubt Moscow's version of what is going on in Syria. That has not gone unnoticed in the Kremlin. Evgeny Satanovski, a political commentator close to the Russian government, puts Belarus alongside Qatar and Turkey as a country which opposes Russia's policies.

Why does Minsk risk challenging Moscow again? It calculates that the new international situation and, above all, the changed geopolitical significance of Belarus enables Minsk to play its own games. After all, Belarus has improved its relations with the West and after the Russo-Turkish war of words it has become the safest route for gas transit between Russia and the EU.

Pro-Western Friends of Minsk in the Middle East

Actually, Minsk has undertaken its own political line in regards the Middle East over the past decade. Since the early 2010s, it [shifted its focus](#) away from the radical regimes of Iran, Syria and Libya to conservative regimes allied with the

West.

At the height of the Syrian civil war Minsk welcomed the then Turkish foreign minister Ahmet Davutoglu

The Belarusian regime focused its attention on Qatar, the UAE, Oman and also Turkey. At the height of the unrest in Libya, leading to the toppling of an old Belarusian partner, Muammar Qadhafi, Lukashenka headed in summer 2011 for the country which stood behind the Libyan uprising, Qatar. At the height of the Syrian civil war [Minsk welcomed](#) in spring 2013, the nemesis of the Kremlin and Damascus, then Turkish foreign minister Ahmet Davutoglu and later sent high-level officials to meet Davutoglu in Ankara.

Minsk's activities in recent months are merely a less spectacular continuation of existing diplomacy. In the absence of serious contacts [with Tehran](#), or Damascus the Belarusian government preferred deals with their opponents.

On Sunday, the French web-site, Intelligence Online, reported that Moscow had to step in and halt [Minsk selling](#) the UAE some military aircraft. These would be used to train against Russian and Iranian airforces which use similar types of planes. This is illustrated by the speaker of the upper chamber of the Belarusian parliament, [Mikhail Myasnikovich](#), who in October described relations between Minsk and Abu Dhabi as "among all the countries of the Persian Gulf, it is the United Arab Emirates with which we have managed to establish the longest, most confidential and large-scale relations."

Also in October, Minsk welcomed a trade delegation from Iraqi Kurdistan, whose pro-American regime is clearly disliked by Moscow and its allies in the region. In September, a prominent Lebanese businessman and pro-Western politician, Adnan Kassar, visited Belarus to meet top officials, including foreign minister [Uladzimir Makei](#). Kassar has business in the country, but he most probably also facilitated contacts for Minsk in

the conservative Persian Gulf regimes.

Evgeni Satanovski wrote an article accusing Minsk of secretly playing against Russian policy in Syria.

Finally last week the Kremlin reacted openly. Russian political commentator Evgeni Satanovski wrote an article accusing Minsk of secretly playing against Russian policy in Syria. He included Belarus in the "Alliance of Backstabbing Nations", together with such patented opponents of Moscow [like Qatar](#), the UAE and Turkey.

Satanovski, who has recently changed his image from an analyst of purely Middle Eastern affairs to a commentator on any political issue, acts as a mouthpiece for at least a part of the Russian regime. The high-level propaganda shows and programmes on Russian TV, especially those anchored by Vladimir Solovyev, feature him regularly speaking in a pro-Kremlin rhetoric.

Minsk Derides Moscow's Accusations against Erdogan?

The facts which Satanovski quoted are clearly not a smoking gun. He referred to the visit of Qatar's defence minister to Minsk in July, and the probable personal involvement of the ambassador of the UAE in getting an arms deal with Minsk. Minsk undoubtedly perceived the article as a stern warning, knowing the author's proximity to the Kremlin. The text itself initially appeared in a specialised periodical, *the Military Industrial Courier*, which is widely read by Russian politicians, before *Vzglyad* republished it.

Belarus Segodnya, published a brief, yet harsh, criticism of Russian accusations concerning the Turkish government

On 4 December, the web-site of the main Belarusian government media outlet, *Belarus Segodnya*, published a brief, yet harsh, criticism of Russian accusations concerning the Turkish government's involvement in smuggling oil with Islamic State.

Formally, the article appeared as a blog entry, yet this official daily strictly controls everything that appears on its web-site, so it is not just a private opinion. Furthermore, the author, Yury Tsaryk, is closely connected to the Belarusian government and is known as a strategist and thinker of a pro-Western faction in the regime.

The New Geopolitical Situation of Belarus: Risky yet Favourable

Minsk clearly feels more confident pursuing its own policy which differs from the Russian. This is not only due to the [improvement of relations](#) between Belarus and the EU. Belarus finds itself in a new geopolitical situation and is working effectively in it.

On the one hand, Belarus managed to play some role in negotiations on Ukraine and through that the regime overcame its own international marginalisation. Now, it continues its attempts to become a recognised place for international negotiation. It follows the urgent visit of Azerbaijani president, Ilham Aliyev, on 27-28 November which probably was about possible mediation between Russia and Turkey over their clash in Syria.

Belarus now offers the safest and arguably the best route for an additional Russian gas pipeline

Lukashenka has a chance to succeed in that endeavour. The

state secretary of the Union State of Belarus and Russia and Russian General Grigory Rapota, recently discussed the possibility of Belarus as a negotiation centre on the Middle East. By that they also arguably meant the latest conflict between Moscow and Ankara.

On the other hand, Belarus's geopolitical situation changed after the beginning of the Ukrainian war and the Kremlin's conflict with Turkey. The significance of Belarus as a route for transport of Russian oil and gas to Europe has increased. Essentially, Belarus now offers the safest and arguably the best route for an additional Russian gas pipeline.

It means Belarus becomes a more valuable [partner for Russia](#) and the EU. That means Minsk can afford more leeway in dealing both with Russia and EU and profit from this situation. Sure, the situation is not risk free. At the same time Belarus, as a transit country for gas supplies between Russia and Europe is in competition with other countries, business interests and radical groups in the region.

This risk is the price for the transformation of the country from Europe's backwater to a more active and accepted player in international politics. Not everything depends on Belarus however. The recent moves by Minsk (its position on Syria or the Russian military presence in Belarus) demonstrates, however, its aspiration to use the new geopolitical reality and build up Belarusian independence and [effective neutrality](#).

Belarus Turns to Pro-Western

Nations in the Middle East

Belarus's recent leaning towards pro-Western nations in the Middle East follows fast on the heels of rapprochement with the West. On 6-7 May, Joint Belarus-Saudi Committee on Cooperation will meet in Riyadh. On 15 April, Belarus opened an embassy in Qatar.

Establishing closer links with the very centres of conservative Arab bloc allied with the West is a milestone in Belarusian foreign policy. In the past, Minsk enjoyed amicable relations primarily with the so-called radical republican regimes in the Middle East. Saddam's Iraq, Qadhafi's Libya, Assad's Syria, as well as Ahmadinejad's Iran figured among Belarus's main partners.

The shift towards pro-Western monarchies reveals a contradictory, yet pragmatic approach by Minsk. The Belarusian government is looking for quick money to compensate for Belarus's trade deficits with other countries, though some odd deals and alliances have emerged as a result.

Minsk's New Friends Killed Its Earlier Buddies

Commenting on the embassy opening in Qatar on 31 March, deputy foreign minister Alyaksandr Huryanau called Qatar Belarus's "longstanding political partner." This is a remarkable statement given this nation's role in toppling Minsk's former friends in the Middle East.

Minsk's new approach in the Middle East complements its recent rapprochement with the West

The partnership with Qatar complements Minsk's other policies in the region. Besides establishing closer relations with Saudi Arabia, the Belarusian government has undertaken many other activities in the region in the last two months. It held

political consultations with Oman and the UAE, received an Omani parliamentary delegation, sent its representative to a ministerial meeting of the Arab League – dominated by conservative Arab nations, – and sent a delegation to Pakistan, another nation allied with the pro-Western bloc in the Middle East.

What is more, Belarus has enjoyed excellent relations with Erdogan's Turkey and made attempts to befriend pro-Western Kurdistan. Minsk's policies in the Middle East complement its policy of rapprochement with the West. Belarus's attempt to move away from risky partners challenging the West is greatest in the history of its foreign policy to date.

Any Money in Sight?

Belarus's previous, more limited, attempts at partnering with pro-Western states in the Middle East did not pay off as expected. In 2011, Minsk quietly renounced its close partnership with Libya and minimised its ties with Iran and Syria. It secured promises from Qatar of a new level of economic relations and investment. Alyaksandr Lukashenka has designs to create a kind of “Qatari Island,” a huge economic centre built on Arab money in Belarus, though thus far these and other plans have ended up creating nothing but a few hunting estates for Arab princes near Minsk.

A similar fate befell another project publicised over the past couple years – bringing Omani money to Belarus. Omani businesses received a big swathe of land in Minsk to develop, but in 2012 gave up plans in the Belarusian capital.

Belarus's firm Beltekhekspart reportedly supplied ammunition to Libyan armed groups

Yet trade with the Gulf Arab monarchies has continued to slowly grow. In 2014, Belarus-Saudi commodity trading was valued at more than \$95m. This is almost as much as the last

year's Belarus-Iran trade turn over of \$97m.

In addition, Minsk has become involved in murky deals with pro-Western Arab monarchies in other countries as well. This March, Reuters quoted an unpublished UN Security Council report on Belarus, according to which Beltekhekspart was supplying Libyan armed groups with ammunition. Minsk retorted that the deals were legal and involved the Libyan government. Importantly, the groups supplied by Belarus seem to enjoy Qatari support.

Later on, the French specialist bulletin *Intelligence online* added that military equipment might be also supplied by the Belarusian firm to Libyan militias. According to the French publication, Western governments gave tacit support to these supplies.

Away From Iran and Syria?

As Minsk establishes rapport with the pro-Western Arab monarchies, it has been easing the level of contact with their opponents in the region – namely, Iran and Iran's allies. This year, Belarusian Foreign Minister Uladzimir Makei has visited Syria only once, this past February.

Now, Tehran and its allies are displaying more interest in maintaining relations with Minsk. In February, the Iranian Foreign Minister Mohammad Javad Zarif came to Minsk, in April, and Iraqi Foreign Minister Ibrahim al-Jafari and Syrian Minister of Industry Kamaledin Ta'am have visited Belarus.

Yet these contacts are a mere shadow of Belarus's partnerships with these countries in the 2000s, when Minsk would host a new Iranian delegation almost every month. Minsk's recent level of engagement are not only less frequent but also far less meaningful. For example, Iraqi Foreign Minister's visit to Belarus resulted in both parties signing of the Memorandum of Understanding on Cooperation in Sports.

Belarus's trade with both Iran and war-ravaged Syria has decreased in recent years. While in 2008, Belarus-Syria trade made up over \$85m, last year it barely exceeded \$30m. Current promises to establish an assembly production plant for Belarusian MAZ trucks in Syria are unlikely to materialise. While Iran may indeed pay for such a project in Syria, the ongoing civil war in Syria makes the actual implementation of the project unlikely in the near future.

To Support the Winners

The Belarusian leadership has not changed its ideological preferences; it had none to begin with

The Belarusian government may go as far as to use its relations with Syria, Iran, and Iraq as a bargaining chip in relations with Western-allied Arab monarchies. The kings of the Gulf's willingness to buy up Iran's allies has already been exposed by Wikileaks, though Belarus can hardly attract the attention of Arab rulers on its own, and as such it is becoming an important ally of Tehran and Damascus and even as a source of military equipment and expertise for Syria, Iran, or Shiite Iraq.

The Belarusian leadership has not changed its ideological preferences; it had none to begin with. Not only does it seek rapprochement with Western allies in the Middle East, but it has also followed a similar approach in other regions. For example, its reception of North Korea's Foreign Minister in March was rather cold. The Minister's trip was shortened by two days. Belarusian officials talked about "similar [to Pyongyang's] approaches to many issues" but not about "shared views," a standard statement in negotiations with developing countries. The Belarusian Foreign Ministry has emphasised that the meeting was "protocol-related".

Regardless, deals can be made with Minsk. The logic of Belarusian foreign policy stems from the political economy of

a land-locked country with no notable natural resources and an industry that is in bad need of modernisation. Even though Lukashenka has decried the so-called Arab spring, which knocked down some of his earlier comrades, he prefers to accept the new situation and is working with the victors. The main priority of the Belarusian government is finding money that will allow it to survive.

Foreign Investments Weaken the Belarusian Regime

Today the Belarus Investment Forum opens in Minsk. In recent years, Belarus has significantly improved its ranking in the Doing Business Report of the World Bank Group. This year it climbed two places, and on two parameters even made it into top 10.

Yet state plans to attract foreign investments fail year after year. Perhaps some in the ruling elite understand that the stronger the foreign investors in Belarus are, the weaker the Belarusian regime becomes.

This year, the government planned to attract \$3.7bn in direct foreign investment, yet by 1 September only a quarter of this sum, \$956.5m had been registered. The problems are evident not only in statistical data. Time and again the Belarusian government starts talking about large-scale ambitious projects and ends up proposing that investors just land.

Problems in the West

Only small scale investors and adventurers come to try their

fortune in Belarus, economist Mikhal Zaleski recently commented to Radio Liberty in a discussion on the sad investment situation. He emphasised that though investment laws in Belarus looked smooth, investors have questions about political stability. Nobody knows who will run the country after Lukashenka and in which direction the nation will then be headed . Moreover, as Yaraslau Ramanchuk said when commenting at a series of Belarusian investment forums two years ago, “the government itself blocks foreign investments.”

In November 2010, at the Belarusian Investment Forum in Frankfurt am Main, Belarusian Metal Works (BMZ) signed with Italian firm Danieli a memorandum of intent to build new production facilities. The project could reach an investment of \$1-1.5bn. Yet nothing has been implemented, as Danieli was willing to help find \$1bn only if it got shares in BMZ. The government, for its part, wanted to retain all 100 per cent of the shares it owns.

In July 2010, the Minsk Regional Executive Committee and German company Enertrag AG signed an investment agreement to build a wind park with a capacity of 160 MW. It could cost about €360m and provide electricity to two districts. The Defense Ministry blocked the project, claiming that wind generators interfere with its radars.

At the first Belarusian Investment Forum in London in 2008, the Energy Ministry and Polish company Kulczyk Holding signed a preliminary agreement to construct in Belarusian Zelva a coal power plant. Planned investments should have reached \$1.3-1.8bn. The richest Polish businessman Jan Kulczyk wanted to supply the power plant with mostly Polish coal and export part of its electricity to the EU.

Two years of negotiations ended with no results and were broken up after the 2010 Belarusian presidential elections and subsequent deterioration of relations with the EU. Kulczyk explained, “Such big projects should be done together with

banks. Because of the current atmosphere around Belarus, it would be difficult to finance the project.”

Hunting Estates for Arab Monarchs

The problems, however, exist not only with Western businessmen. Belarus remains a problematic place for post-Soviet and Eastern entrepreneurs as well. Many of them – Russians, Poles, Iranians, Arabs – have tried to find a common language with Lukashenka and gave up.

Influential Russian oil and gas company Itera pledged to build a residential area and business centre to be known as “Minsk City” on the territory of the old Minsk airport. The amount of investment should have been about \$5bn. Yet soon Itera put the project “on hold” and until now it has invested less than one per cent of the promised money and constructed only some a few ordinary panel houses. In February, the government cancelled the agreement with Itera.

In July, Omani State Reserve Fund renounced the investment project in centre of Minsk. In 2009, Lukashenka granted Omani businessmen favourable conditions to build in the historical area of the capital. They planned to construct a residential complex, a business centre and a five-star hotel for about \$150m.

Last year, visiting Qatar, Lukashenka solemnly declared a project to create a “Qatar Island” in Europe. Belarusian officials explained that it would be a business and industrial centre of Arab countries and it would be built in Brest region. The only registered follow-up of these designs was revealing in September a document issued by Minsk Regional Executive Committee. It secretively regulated giving land plots to members of Qatar's ruling family to build hunting estates and facilities in the vicinity of Minsk.

Arab investors are known for being less than eager to undertake industrial production projects. Yet there hardly

could be more stark a contrast than those events which took place in September than between two post-Socialist nations dealing with Arab investors. While Belarus tried to lure Qatar emir to hunt in Belarus, Belgrade concluded an investment deal with the United Arab Emirates which enabled it to revive the Serbian aircraft industry.

Serious Investors with €20,000

In the opaque bureaucratic mechanisms of the Belarusian state even the murkiest business is possible. In 2007, the Belarusian government gave a concession to the Luxembourgish company Polar Stars Group. It included two lignite deposits and two deposits of shale oil. The declared volume of investment was \$2-3bn.

“I would say frankly, we are not going to study the investors' history and look at whose money they use,” said Lukashenka in 2007 and added that he had information confirming the serious reputation of the company's owner. The owner regularly called on the highest Belarusian officials till 2010. Finally, however, the media revealed that Polar Stars was founded in 2006 and its registered capital makes up only about €20,000. In 2010, the Belarusian government cancelled this dubious agreement.

In the absence of a noisy scandal, Belarusian society heard little about this incident. It is reminiscent of a similar incident in 1991. Then, Prime Minister Kebich granted one shrewd Italian the status of Belarusian Ambassador to all nations of the world, as well as giving him an office in the centre of Minsk. The Italian had only promised Kebich that he would find loans badly needed by the Belarusian government. Only after the opposition vigorously criticised this affair, the government reviewed its decision.

The Belarusian government has serious problems handling foreign investments. It manages to combine contradictory

attitudes. On the one hand, it enforces rather strict and inflexible rules. On the other, it lets dubious firms do serious business in Belarus.

Meanwhile, Belarus has no choice but to attract foreign investment. It has survived all these years economically because of Russian subsidies which, according to some calculations, have totaled about 15 per cent of Belarusian GDP. They are quite unpredictable, dangerous and likely to diminish.

Belarus has to replace these subsidies, which are also the foundation of Lukashenka's rule. Yet not with other subsidies; the EU is definitely not going to take over this role as Belarusian sponsor. Minsk has to reform the economy and create new production facilities and sources of revenues. For that, it needs serious investors. Any Belarusian government aware of national interests will have to deal with this task.

Only when this mission is accomplished will Belarusian independence and democratic transition become solidified. To scare foreign investments away from Belarus means to strengthen Lukashenka's regime and Russia's dominance in the country.