

# Fine for Foreign Aid, Ecotourism, Official Blacklist – Civil Society Digest

Some 300 delegates gathered in Minsk for the Sixth Congress of Belarusians of the World. Fond of Ideas explains why business should be socially responsible.

New opportunities for environmental education await Belarusians. Among them, BEROC invites young Belarusians to participate in a student's school on the economy and economic research.

The state-run newspaper "Respublika" published a list of extremist publications and events that endanger the Belarusian state.

## Civil Society Events

[Belarusian expatriates holding congress in Minsk](#). Some 300 delegates gathered in Minsk for [the Sixth Congress of Belarusians of the World](#) that held on July 23-24, in Minsk. Organised by the Batskaushchyna World Association of Belarusians, the event was attended by expatriates living in 20 countries. The Congress focused on the state of the Belarusian people amid globalisation. [Elena Makouskaya re-elected](#) head of the organisation.

[New concept paper on transportation](#). Belarusian Union of Transport (BUT) made the first practical steps towards the formation of the modern Belarusian legislation in the area of transportation. The BUT experts have prepared a concept paper on the development of an integrated mobility based on the harmonization of the legislation of Belarus and the European

Union. This paper is the result of a cooperation between BUT and the Office for a Democratic Belarus (ODB) and, later on, with the Office of the European Expertise and Communications.

[34mag launches "Bicycle" project](#). An interactive map for cyclists for all of Belarus answers questions such as where it's possible to rent a bike, repair it, etc. The project aims to collect all bicycle related spots in one place and thus to make Belarus a truly bike-friendly country. "Bicycle" is an interactive map, so it provides the ability to add valuable points to all users.

[Infographic from AMPby](#). Alternative Youth Platform has developed an infographic called "Belarusian youth in numbers" dedicated to Youth Day, which is celebrated annually on 30 June. In particular, about 2,300,000 Belarusians are in the age range of 14-31; 2,829 long-distance trains are needed if all the young people want to leave Belarus; 11,455 isolation rooms in the detention facility Akrestino are needed to put all youth to prison.

[Let's Make it Better!](#) On 16 July representatives of 15 NGOs from Minsk, Gomel, Vitebsk, and other cities came together in Minsk to discuss ideas they want to implement within the "Let's Make it Better!" campaign aimed to increase the role and impact of social activities in Belarus. The campaign's initiator is the Executive Bureau of the Assembly of NGOs. The majority of the local campaigns of the Let's "Make it Better!" campaign are to be held in August-September 2013.

[Belarusian poems in trolleybuses](#). Belarusian poems have been placed in 90 trolleys in Mogilev. The project will last until the end of the year, while Mogilev has the status of the cultural capital of Belarus and the CIS. The organisers managed to implement the project which was one of the winners of [the project fair](#), held by the campaign "Budzma!" and Mogilev city executive committee.

## Education, seminars

[“Educational Breakfast” launched a series of business breakfasts](#). On 16 July Fond of Ideas held its first business breakfast within a series «Food for ideas». The general theme of the breakfasts is the development of the culture of internal and external corporate responsibility among Belarusian business circles. The first business breakfasts covered the issues of training a company’s own employees. Participants of the business breakfasts were managers and top managers of large Belarusian companies.

[BEROC Student School](#). Belarusian Economic Research and Education Center (BEROC) in co-operation with the British Embassy in Belarus calls for students to participate in the 3<sup>rd</sup> Student School on a modern economy and economic research. The School will be held in Minsk on Saturdays, from 14 September 14 to 21 December 2013. The working language is English; participation is free.

[Roundtable on certification in non-formal education](#). [BEL.BIZ](#) held a round-table “Non-formal education: certificates and certification,” which covered the issues of certification for non-formal trainings. The event was attended by experts of commercial and non-profit service providers, including IPM, Marketing.by, MTBank, the Association for Life Long Education, etc. The round-table became the first event to precede the Global Entrepreneurship Week in Belarus, which will take place from 18-24 November.

[Roadmap for joining the Bologna Process](#). On 17 July in Minsk, a group of Belarusian experts and civil society activists called the Public Bologna Committee unveiled a roadmap for joining the Bologna Process, which is aimed at creating a European Higher Education Area. [The White Book](#) contains a series of amendments to Belarus’ Education Code that would supposedly bring Belarus closer to the principles and values of the Bologna Process.

## Green Events

[Trainings on eco-tourism strategic planning](#). On 23-31 July the USAID LEED Project implemented by UNDP conducts four training sessions to improve the skills of local partners. These partners are located in the seventeen tourism destinations within Hrodna and Brest regions (representatives of community-based organizations, local authorities, and business) and will focus on the development of ecotourism strategies.

[School of Environmental Activism](#). On 8-14 July the second stage of the School of Environmental Activism took place in the Astravets district of the Hrodna region. The participants learned about environmental initiatives in Belarus, listened to foreign experts, took part in workshops. The School is being implemented by the Green Alliance and designed to prepare people ready for action and self-organisation, able to fight for the preservation of wetlands and parks, and to promote environmentally friendly lifestyle.

[GEF Small Grants Programme](#) invites civil society organisations to take part in the project “Strengthening environmental governance through the development of non-governmental organisations.” The project is aimed at promoting sustainable development and improving the environment on the basis of more effective CSO participation in environmental governance. The maximum project amount shall not exceed 50,000 USD. Application deadline is 11 August 2013.

[Consultations with civil society](#). The UN Human Rights Council Special Rapporteur on Belarus, Miklos Haraszti, held a number of consultations with representatives of Belarusian civil society. The consultations took place on 11-14 July in Vilnius, as Haraszti did not get an invitation from official Minsk that would allow him to visit Belarus.

## Interaction between State and Civil Society

[Official blacklist](#). Belarusian state-run newspaper “Respublika”

published an updated “National list of extremist materials” which contains “Belarus Press Photo 2011” album and a number of CDs, books and publications, for example, the documentary “A Lesson in the Belarusian language” and the concert “Solidarity with Belarus” in Warsaw (2006).

[Cancelled sealing house in Uruchcha to be built](#). Minsk City Council reversed its previous decision that it made last year to cancel the construction of one of the houses on Shugaeva street in the Minsk district of Uruchcha. The initiative “European Perspective” is trying to look into the situation and help citizens to protect their rights. Meanwhile the locals [recorded a video appeal](#) to Lukashenka.

[Fine for getting foreign aid](#). On 12 June Tatjana Zialko, chairman of the initiative of Belarusian pensioners “Our Generation” was fined for getting foreign aid with the aim of “regime change”. In March 2013, she was detained with about 1,500 euro while leaving the Slovak Embassy in Minsk.

[Iryna Halip vacated](#). On 19 July Minsk Partizan District Court has vacated the journalist’s sentence for taking part in 19 December 2010 ‘mass riots’ in Minsk. Iryna Halip, journalist of Novaya Gazeta, ex-presidential candidate Andrei Sannikau’s wife, had lived under constant police supervision since 3 May 2011.

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

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# 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.

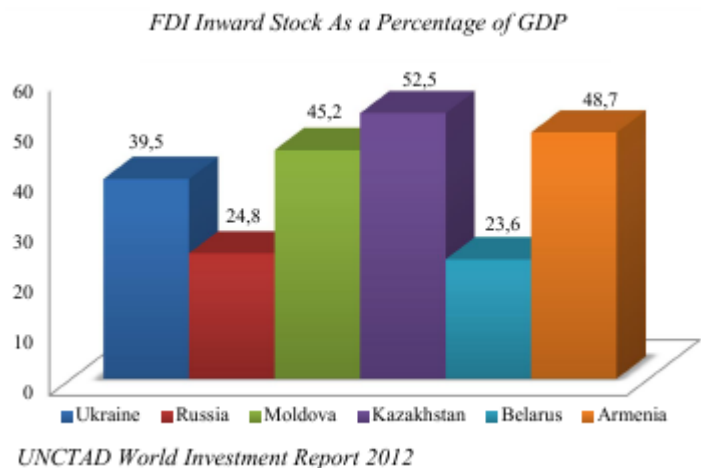
Small enterprises risk less, but are to go through all thickets of Belarusian bureaucracy, which is often unbearable even for local dwellers. Bad image in the Western media and political unpredictability also add to investors' unwillingness to invest.

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.

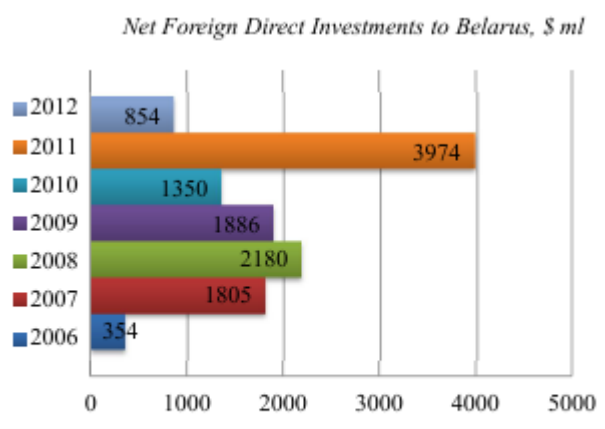
With this gloomy background, the 75 per cent fall of net foreign direct investments within a single year surprises even more.



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".



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.

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## **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 lead 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.