

Belarusian-Chinese Relations: From Great Promise to Failure

In the near future Minsk and Beijing plan to sign the main contract for the China-Belarus Industrial Park. Once a project that used to hold great promise, now appears to be a failure.

Lately, Belarusian-Chinese relations have gone through a number of stumbling blocks, including the delay of the industrial park near Minsk and a manufacturing plant in the Homel region. And Chinese Geely cars have yet to become a popular commodity in Belarus.

The lack of expertise and knowledge about China is the primary reason why Belarus cannot benefit from its relationship with the economic giant. Propaganda, as a surrogate to any fact-driven discussion, has brought Belarus more harm than good. The authorities continue to restrict access to information from independent journalists and experts.

If the authorities fail to develop their own strategy for their ties with China and adapt joint projects to the real needs of the Belarusian economy, the crisis in its relations with Beijing will only deepen.□

Plants, Potash and Geely□

On 3 April, Belarusian deputy Prime Minister [Anatol Tozik](#) agreed with Lee Kheysin, Vice President of the Chinese corporation CAMCE, to sign the primary contract for the Sino-Belarusian [industrial park](#) in the near future. The Park will occupy about nine thousand hectares of the Smaliavichy region (Minsk district) and host high-tech and export-oriented companies. In February, Alexander Lukashenka [described](#) the pace of construction as "a disgrace to the

government", so Belarusian officials are trying to speed it up. Tozik promises to start construction on the first buildings in May or June this year.

The park remains important for the Belarusian economy, but it is unlikely to become a breakthrough project. The park will host only large-scale producers and will lack research laboratories for new companies, one of the most crucial elements that the economy needs. The authorities set the minimal amount of investment at \$5m. China wants Belarus to finance 40% of this overall contribution on its own, but Minsk has no money to do so.

Previously many rumours circled around the park, particularly its enormity. State media reported about \$30bn in investment, while the independent press got caught up in writing about the arrival of 600,000 Chinese construction workers. Today's the rumours that are circulating mostly describe the failure of the project. [Yury Ziser](#), the owner of popular web portaltut.by, writes that Russia and the EU could resist any expansion of Belarusian-Chinese products to their markets.

The Industrial Park is not the only evidence that Belarusian-Chinese relations were mired in a state of crisis. China buys potash fertilisers from Uralkali, the main [competitor of Belaruskali](#), and remains reluctant to invest even in small projects in Belarus.

In 2013 the Belarusian Geely automobile plant sold fewer than 2,000 cars, far fewer than was anticipated. Generally, the public authorities, such as the police, were the primary owners of these new cars. Other cars were delivered to Kazakhstan. When referring to the situation with Kazakhstan, Geely employs the vague terminology that the cars were "supplied", not "sold."

A joint plant building project, which costs about \$800m, remains behind schedule. Earlier this year, Prime Minister

Miasnikovich hinted to Chinese partners that if construction was not completed on time, the Belarusian party would have a problem with its loan repayments.

Even the Belarusian state media began to write about the two countries' ties with extraordinary caution. On 4 March, the Belarusian Telegraph Agency reported that "Huawei does not preclude a new project in Minsk." While Lukashenka's regime claims that both parties are successfully working together in accordance with the prescribed program of the development of the Comprehensive Strategic Partnership Between Belarus and China for 2014-2018, few have seen this road map. The Belarusian Foreign Ministry has denied the author of this article access to the document.

What Went Wrong

The Belarusian authorities are facing the consequences of their own miscalculations. China never planned to invest in Belarus, a country with a small market and an expensive labour force. China wants to make a profit and remains reluctant to serve as a counterbalance to Russia or the EU. Orban's Hungary, which also had some high expectations for cooperating with China, made no significant progress in this regard. China prefers to cooperate with less conflicted countries like Poland than with scandal-prone Hungary.

It seems that the Belarusian authorities have become victims of their own propaganda. The state media has long exaggerated the financial benefits of Belarusian-Chinese ties. Belarusian state media is beginning to describe relations of a strategic nature being back in 2005, but in reality the parties signed the Joint Declaration on the Establishment of Relations and Comprehensive Strategic Partnership only in 2013.

The government remained reluctant to support any analytical and academic discussions on ways to improve cooperation with the economic powerhouse. China, an authoritarian country like

Belarus, relies on analytical centres. Thus, the Belarusian authorities lack the necessary information and expertise to make competent policies in this arena.

Without access to the documents it remains quite difficult to say whether Belarus has its own strategy for dealing with China. However, the results of cooperation in the form of a \$2.5bn negative balance and the absence of investment rather indicate that Minsk has no idea what to do with China.

Will the Authorities Improve Cooperation?

Despite all the problems in their relations, Belarus receives certain benefits from China. The [Chinese help Belarusians](#) in the energy sector, China remains an important partner for Belarus' military industry, Chinese loans help Belarus keep its economy afloat. Only Beijing proposed Belarus cheap lines of credit that have amounted to \$16 bn. However, this dependence on China limits Belarus' ability to demand more from Beijing officials.

Deputy Prime Minister Tozik and Lukashenka's advisor [Rudy](#), have worked in China and know it better than anyone else, but are both in limbo. On the one hand, when Tozik was an ambassador to China, he regularly praised China. On the other hand, he remains responsible for Minsk's policy towards the Middle Kingdom. In this situation he should sober his colleagues up and have them recognise that the Belarusian-Chinese venture has been unsuccessful.

The Belarusian authorities should adapt an industrial park to the needs of Belarusian business, promote discussions about China at think tanks and universities, and its cooperation strategy should emerge sooner, rather than later. These small steps can help Belarus achieve a balance in its relations with China more positive.

Belarus-Russia: History of Disintegration

In the last days of July, the backbone of Belarusian economy – the potash industry – suffered a severe blow dealt by its Russian partner.

The Russian company Uralkali refused to work anymore with the Belarusian Potash Company (BKK), a joint enterprise of Uralkali and Belaruskali authorised to sell their products throughout the world.

These developments have seriously weakened the global position of Belaruskali. The “potash collapse” is just one more illustration of the problematic relations between Belarus and Russia.

Both Russian private business and the government do not perceive their Belarusian counterparts as equal partners. Additionally, Belarusians have to work with Russian business without a sufficient legal framework. In these circumstances, integration between the two countries has had no real chance from the very beginning.

Some bigger agreements simply failed or fell apart like the joint companies in the potash or oil industry. Other projects were implemented many years behind the schedule – whether it be [military cooperation](#) or the sale of Belarusian pipelines to Russia.

Younger Brother Is Always Wrong

Russian Uralkali, of course, immediately blamed Belarus for the failures of the joint business venture. The Director of

Uralkali said to the Vedomosti daily newspaper that it was Lukashenka who allowed the national mining company Belaruskali to sell potash without involving the Belarusian Potash Company and violated thus the previous agreement to work through this company. Yet the Uralkali itself has sold a bulk of its own goods without the Belarusian Potash Company. In the least, the Russian position looks dubious.

An information war followed soon afterwards. "This situation confirms only one truth – Belarusians, as always, are incapable of working with partners in a civilised way," said the well-known Russian political commentator Andrei Suzdaltsev Radio of Liberty.

Yet the background of this story indicates that something different might have happened. Suleiman Kerimov, the Russian owner of Uralkali, wanted to acquire Belaruskali as he previously acquired another competitor of Uralkali – Silvinit. If he only managed to add Belaruskali to its business empire, he could control up to 43% of global potash market. Kiryl Koktysh of the Moscow State Institute of International Relations says that Uralkali's actions may indicate Kerimov's attempt to force Minsk into selling Belaruskali.

With all of its problems, the Belarusian Potash Company was, according to Belarusian economic web-portal zautra.by "probably, one of the most successful strategic Belarusian-Russian economic alliances to have existed since the moment of the Soviet Union's demise". This begs a question: if this was the best, how exactly have the other projects?

Belarusian-Russian Integration: History of the Decline and Fall

The chronicle of [Belarusian-Russian integration](#) looks like a tug-of-war between Minsk and Moscow. Pompous rhetoric are dismissed by the reality of trade wars and agreements' delayed implementation. The list of failed major projects between the

two countries is another skeleton in the closet of bilateral relations.

Project	Years of Implementation	Costs (planned or factual)
International Potash Company	1992-2005	No data
Belarus-Russian oil company Slavneft	1994-2002	Sold in 2002 for USD1.86 billion
Belarus-Russian oil companies Rosbelnafta and LYUBel-Oil	1995-2001	Russian investment by 2002 was planned to reach USD 550 million
Modernisation of Minsk brewery Krynica by Russian Baltika beer company	2000-2003	Factual Russian investments reached USD 10.5 million, a controlling block of shares was promised to be sold in 2001 for USD 50 million
Project on PET-granules production on facilities of Mahilyou's company "BelPAK" by the Russian Itera	2001-2006	By 2003, Itera allegedly invested more than USD14 million.
Development project Minsk-City by Itera	2008-2012	Planned amount – USD 4.8 billion

It is more to the point at this time to talk about Belarus-Russian disintegration rather than integration. Some experts admit that the problems in Belarus-Russian relations exist yet believe that some areas are integrating smoothly, defence

cooperation in particular.

Anais Marin of the Finnish Institute of International Affairs argues in a publication of the Polish Centre for Eastern Studies that defence cooperation is “unfold[ing] regardless of the disputes that sporadically sour relations between Minsk and Moscow, standing out as the main achievement of the Union State [of Belarus and Russia] – if not the only one”. Yet, Minsk has delayed the implementation of every military agreement with Moscow, sometimes for years – as happened with the [Single System of Air Defence](#).

On the other hand, Moscow failed to equip its closest ally with adequate arms – only now, has Belarus finally [replaced](#) its remaining old air defence systems, the S-200, with the S-300. The Russian army meanwhile is already replacing the S-300 with S-400. Belarus has no real prospects to get any S-400 in coming years. It is no wonder, then, that the Kremlin does not care about its Belarusian allies. Despite the rhetoric of Belarusians defending Moscow, Belarus pursues its own military policy and enters military agreements with Russia when it wants Moscow to foot the bill.

No Friends in Moscow

There are numerous reasons explain the failure of individual projects in Belarus-Russian relations. Yet there is one fundamental factor. Russia does not perceive Belarus as an independent state with its own needs and interests. “Russia believes that Belarus is its property,” said once in Belsat TV Belarusian analyst Paval Usau. Actually Moscow looks in the same patrimonial way on all post-Soviet nations. The latest Russian-Ukrainian trade war proved this point once more.

Partly, Belarus itself is guilty of the discriminatory behaviour that has been coming from Russia. First, Belarus is still failing to consolidate its own nation and to draw a dividing line with Russia. After all, good fences – both

physical and mental – make good neighbours. The very close alliance between the US and Israel is a model proposed by Lukashenka for Belarus-Russia relations. Yet Washington looks on Tel-Aviv as an independent nation not as a breakaway territory. In particular, this means that Washington wishes for Israel to be robust and powerful. It is better to have a stronger ally.

On the contrary, Moscow considers any Belarusian success as a threat. Thus, in recent years it did not welcome attempts by Minsk to [diversify its sources](#) of imported oil. Russia actively counteracted Belarus' policy of buying Venezuelan oil, which is quite logical from the Kremlin's perspective. If the Kremlin considers Belarus not as an ally but simply a breakaway territory, then this territory should not become strong. The reasons that Moscow does not give Belarus new military equipment become clearer when this is considered. As Anais Marin put it, the Russian establishment sees Belarus as a territory, and not real ally.

Second factor between Russian dismissive stance towards Belarus is lack of a [Belarusian lobby in Russia](#). The Belarusian government has done a lot to find such support in Russia. Minsk tried – rather successfully to present itself as the last island of sunk empire and to mobilise Russian right-wing political groups. The Belarusian regime clearly could find some support among Soviet-time generals, right-wing intellectuals and regional industrial bosses. Yet this support appears rather unorganised and gives Belarus little leverage in disputes with the Kremlin.

A Civilised Divorce

In last decade, Russian officials have effectively renounced earlier rhetoric of integration with Russia. They apparently had no illusions that what Lukashenka has done – at least in the last decade – resembles a gradual separation from Russia. Furthermore, Minsk is not Russia's marionette. For all its

services, the Belarusian state received from Russia subsidies which last year amounted to ca. USD10 billion (16 per cent of GDP).

Oddly enough, it is often Western policies which drives Belarus into the Kremlin's hands. So, for example, the problems of the Belarusian Potash Company began last year when the EU threatened to [impose sanctions on Belarus](#). It created a favourable atmosphere for Russians to put pressure on Minsk to sell Belaruskali to Russian potash magnate Kerimov. The media then reported about plans to found a new Russian-dominated potash company – Soyuzkali – whose office had to move from Belarus to Switzerland, i.e., under control of Kerimov. It did not happen, yet contributed to a crisis inside the Belarusian Potash Company.

The Russian option for Belarus remains elusive. Objective opportunities which exist for Belarusian business and individual Belarusians in Russia are offset by huge biases against them that are regularly demonstrated by Russia. Moreover, aggressive Russian attempts to take over Belarusian assets leave little space for integration and cooperation between two countries. In a word, Belarus is not as close to Russia as frequently assumed and the West should never dismiss Belarus as an active actor.

Belarus Investment Climate After Spartak and Kommunarka

According to Doing Business 2013, Belarus is now on the highest level in its history. It occupies the 58th place out of 185 countries. Last year the World Bank named it among the

quickest reformers on the way to the “Ease of doing business” goal.

The indices mainly follow from the analysis of Belarusian regulatory acts. What is going on in the country’s business reality is more difficult to reflect. The case of Spartak and Kommunarka revealed the most crucial defect in its economy – disregard to private property rights. So far Belarus has never faced any [investor-state disputes](#).

The de facto nationalisation of Marat Novikov’s and many minor shareholders’ property could go smooth without attraction of the world’s tense attention. Belarusian state machine did its work on Spartak and Kommunarka impeccably. But Lukashenka’s emotional speech of 12 October when he ordered to transfer the reins of power over these almost entirely private companies to the State ruined all efforts to make Belarus attractive for investors.

Spartak and Kommunarka: Start of An Unexpected Journey

The rise of Spartak and Kommunarka as well as their popularity within the former USSR began long before Belarus’ independence. Carried by beliefs for soon-coming market economy, in 1993 and 1994 the government initiated their transformation from state enterprises into joint-stock companies.

The shares were distributed among the state, private investors, and the factories’ employees. An American friend of Belarusian high officials, Marat Novikov, became the main private investor of both chocolate giants.

For years, the initial distribution of shares in the transformed companies could change only slightly. One of the reasons for that was moratorium on sale of employees’ stock introduced in 1998. In January, 2011, the moratorium’s term expired and big investors got a good opportunity to broaden

their economic presence in the country.

Novikov did not lose the chance. By 2011, he already owned about 10% of stock in Kommunarka, and several times more in Spartak. That was not his limit. As soon as the moratorium expired, as the former General Director of Kommunarka Natalya Kot says, the company's employees started to sell their stock to Novikov.

State Machine at Work

The President's Edict No. 107 adopted in March, 2011 interrupted such deals. City executive committees got the preemptive right to purchase of employees' shares. The provision applied to relations starting from January 1, 2011. That meant it actually disregarded the universal principle of non-retroactivity of law.

Using the edict's retroactivity, city executive committees wanted to get back the shares that Novikov had bought from Spartak and Kommunarka employees.

The difficulties on the way to the conflict's mitigation found an unexpected embodiment in a new claim against the two companies. This time they arrived from by the State Property Committee. The Committee argued that in 1993 the appraisers underestimated values of Spartak and Kommunarka and now the state should get additional shares to restore its interests. In case of Kommunarka, the alleged undervaluation amounted up 50%. The State Property Committee also blamed Spartak for other violations of privatisation procedure.

Commenting on the State Property Committee's claims, Belarusian economic analyst Yaraslau Ramanchuk says that the new figures of the companies' value in the early 90s claimed by the state rely on contemporary investments' amounts and costs of stock. In the economist's opinion, that is a rude violation of basic principles of economy and law.

However, on 22 August 2012 the High Economic Court of Belarus satisfied the State Property Committee's claims with regard to both companies. Under the decision, the state's share was going to increase by means of additional stock issuance.

Shareholders tried to resist the judgements. But their hopes, as well as the hopes of Belarusian businesses looking for foreign investments, crashed after the famous Lukashenka's orders: to dissolve Advisory Boards, assign state officials as their sole directors, and increase the state's share up to 57% in Kommunarka and 60% in Spartak from current 22% and 13.09% respectively.

Unlucky Big Businesses in Belarus

Marat Novikov is the person who has suffered from the stock's additional issuance the most. He lost control over about 34% of stock in Spartak and 22% – in Kommunarka. However, Novikov is not the first to face the specifics of relation to private property in Belarus.

Examples of similar treatment exist with regard to both foreign and national investors. In 2001 the plans of Russian-Sweden brewery company Baltika to invest in Belarusian plant Krynitsa failed, because Belarus suddenly refused to comply with its contractual obligations to the investor. The state's refusal came after Baltika already invested in Belarus about \$10,5mln.

In 2002 McDonald's had to close one of its most profitable restaurants in Belarus, because the Belarusian State University started construction of a new building on the restaurant's land plot. The fact that Minsk State Executive Committee had previously leased the land to McDonald's till 2036 did not prevent the closure.

In January 2011 Belarus took administrative control over a huge furniture joint stock company "Pinskdrev" although it did not own any shares there. In a few months after Pinskdrev,

state officials made one of the main stockholders and the director of a Belarusian big tile and sanitary engineering company Keramin to vacate his position. After his retirement, state's share in Keramin increased from 3% to 57%.

Seeking Justice

Despite all the troubles, examples of smooth international investment projects in Belarus still exist. American Coca-Cola, German Man, and Holland Heineken are just a few of an already quite a long list of foreign investors who appear to be successful in Belarus.

In fact, foreign investors in Belarus are even in a safer position compared to their local colleagues. The possibility of impartial consideration of their claims against Belarus is the main reason for that.

Since 1992 Belarus is a party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. It has entered into bilateral investments treaties with more than 50 countries which provide substantive grantees to foreign investors. Even more, under the new draft law on investments, investors from any country of the world will be able to draw a suit against Belarus to international arbitral tribunals.

Surprisingly, not a single claim from investors was submitted to the International Centre for Settlement of Investment Disputes against Belarus.

It is possible that after investors start to use their rights and initiate international proceedings against Belarus the situation will improve. This way the government will learn that it can be held accountable for its mistreatment of investors.

Business Climate in Belarus: Pessimism Prevails

Belarusian government recently reaffirmed its desire to become a top-30 nation in the World Bank's Doing Business Report. To assess how well local authorities across the country pursue this goal a number of Belarusian organisations organised a special competition – “The Best Town/District and Oblast for Doing Business in Belarus”.

The latest competition results were announced at the Assembly of the Business Circles of Belarus at the end of February. Now the Belarusian business community and potential foreign investors know where their entrepreneurial activity can yield the highest profit in 2012. But because of the voluntary and populist methods of economic governance in Belarus both entrepreneurs and officials are sceptical that the country will land in the top-30 of the most favourable places to do business.

The Results of the Competition-2012

The competition compared business climates in all Belarusian towns and regions and identifies where a local or foreign businessman can enjoy more favourable conditions for doing business. The jury of the competition consisted of entrepreneurs, representatives of business unions, academics and analysts. The organisers included the Republican Confederation of Entrepreneurship, one of the biggest Belarusian business associations.

The study assesses various factors, including the number of small enterprises per 1,000 inhabitants and the share of small

businesses in the overall number of the employed, the amount of taxes paid and investments. The jury also takes into account opinions of local business associations about the attitudes of local authorities to businessmen, the image of entrepreneurship in local media and opportunities for young people and particularly women to run their own business.

This year the authorities of 76 (out of 118) districts submitted their documents for the competition, the highest number ever. This could be an indication that local authorities are becoming increasingly interested in attracting private investments. But probably the official support of the Ministry of the Economy played a more important role.

The jury named the following winners:

- among the towns/districts with fewer than fifty thousand of population – Narauliany District of Homel Oblast (eastern Belarus);
- among the towns/districts with more than fifty thousand of population – Maladzechna District of Minsk Oblast (central Belarus)
- among the 6 oblasts of Belarus – Homel Oblast (eastern Belarus);
- among the districts of the capital city – Frunzenski District of the City of Minsk.

The assessment results revealed a number of interesting facts. For example, the city of Minsk has the biggest share of population employed by small enterprises (more than a quarter of the working population). In the east of Belarus this share is significantly smaller than in the West. In some districts of the east less than three percent of the population work for private firms.

The share of taxes paid by small businesses is the highest in central Belarus. In some districts the share reaches a half of all the taxes collected. In eastern Belarus this share is

generally the lowest.

Perhaps, the most telling data concerns capital investments by small businesses. It shows where in Belarus entrepreneurs feel more secure and can make long-term plans. According to the competition jury, after the 2011 economic crisis there were simply no “safe havens” for long-term investments in the country. However, in some regions of Belarus private investors are still active. For example, certain parts of central Belarus receive more than 40% of all investments from small businesses. Whereas, in some areas in the West this indicator is close to zero.

Alarming Expectations

The XIII Assembly of the Business Circles of Belarus, where the competition results were announced, shed light on the very alarming expectations shared by entrepreneurs and even state officials.

The main organiser of the Assembly – the Republican Confederation of Entrepreneurship – presented an updated version of the National Business Platform. This document represents the business community's vision of desirable market reforms. The Platform focuses on the new economic realities that Belarus faces in the Common Economic Space with Kazakhstan and Russia. It articulates the idea that the Belarusian economy is doomed if the government fails to carry out fully-fledged market reforms.

The discussion of the Platform revealed that almost all participants of the Assembly (including state officials) see market reforms as the only way to raise the competitiveness of the Belarusian economy. All speakers were vocal about the need to launch a structural transformation and seriously improve the business climate. But at the same time there was a great deal of pessimism and even despair in the speeches of the Assembly. And this state of despair is easy to explain.

Insurmountable Economic Voluntarism

In a country where economic policy is so susceptible to the arbitrary decisions of just one man (even though he is the President) no one knows what a new day will bring. And when social populism generously supported by [Russian energy subsidies](#) permanently prevails over economic analysis, the chief decision-maker is very unlikely to start listening to economic arguments. As a result, even top officials turn into desperate pessimists.

This desperate pessimism makes the goal of becoming a top-30 jurisdiction for doing business sound more like a bad joke. And the competition for the best business climate in Belarus becomes just a nice public speaking exercise.

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New Privatisation Plans: Belarusian Authorities Prefer Western Investors to Russian

On 20 January 2012, the authorities approved a new strategy to attract foreign direct investments. This document can be regarded as a new invitation for foreign business with advanced technologies to take part in privatization in Belarus. The authorities hope that Western businesses will come despite the country's poor human rights record and their failure to release all political prisoners.

Although the Belarusian authorities welcome energy subsidies from Russia and participate in Russia-sponsored integration projects such as the Single Economic Space, they are reluctant to invite big Russian business in. The pace of Belarusian privatization is slow – although many trade and service enterprises were privatized, medium and large industrial enterprises still remain in state hands.

Recent History of Privatization in Belarus

Over the last two decades, most trade and service enterprises have been privatized in Belarus. However, instances of privatization of industrial enterprises remained extremely rare. Consider that between 2008 and 2010 only eight small and medium industrial enterprises were privatized.

In early 2011, there was a debate among the ruling elite between the proponents and opponents of privatization of industrial enterprises. Siarhiei Tkachev, an economic advisor to Lukashenka, insisted that the state could be no less an efficient owner than a private entity. Lukashenka said at that time that he was tired of talking about the advantages of private ownership, which were initiated by Prime Minister Mikhail Miasnikovich and Deputy Prime Minister Siarhiei Rumas.

In the tough economic times of 2011 Lukashenka had to accept arguments from proponents of the expansion of privatization. The sale of unprofitable loss-making enterprises allowed to them to put money into the state budget. Besides, the government had already got rid of its obligation to pay salaries to workers of such enterprises. Some hoped that the purchase of enterprises by efficient owners would allow the government to start collecting more taxes.

Under the privatization program for 2011 – 2013, the government plans to sell 168 small and medium enterprises. However, so far only 38 companies have been sold for a total amount of BYR 170,000,000,000 (about \$20,000,000).

At a meeting of the Council of Ministers on 20 January 2012, many publicly agreed that the failure of the privatization plan for 2011 was caused primarily by the fact that directors of loss-making enterprises, fearing losing their jobs during the change of ownership, [hindered](#) the preparation of the enterprises for privatization in every possible way.

Therefore, a decision was taken to expand the privatization plan for 2012 significantly by including those enterprises which were not sold in 2011 and those which were planned for sale in 2013. The government approved a package of measures which would not allow blocking of the privatization process.

On 20 January 2012, the Council of Ministers and the National Bank adopted a joint resolution on a Strategy to Attract Direct Foreign Investment up to 2015. It is probably one of the most interesting documents of 2012 to understand the development of the situation in Belarus. This document can be regarded as an invitation to foreign business, which has advanced technologies and is willing to take part in privatization on the basis of transparent schemes. The strategy pays a lot of attention to public-private partnerships, economic liberalization, and overall improvement of the economic climate in Belarus.

The document notes that:

the implementation of the strategy will lead to an annual increase in the volume of direct foreign investment on a net basis (excluding debt to the direct investor for goods (works, services) in the amount of \$7,000,000 – \$7,500,000 before 2015 and to achieve at least 21 per cent share of foreign investments in the investments of fixed assets. The share of knowledge-intensive and high-technology products in the total volume of exports of goods will increase to 14 per cent.

The implementation of the strategy will also ensure the entry

of Belarus into the top thirty countries with the best business climate in the "Doing Business" rating of the World Bank, and also the improvement of positions in the reports of international rating agencies: Moody's Investors Service, Fitch Ratings, The Heritage Foundation and others.

Russian Businesses are Not Welcome

Lukashenka and the First Deputy Prime Minister Uladzimir Siamashka have said repeatedly that Russian oligarchs want to buy tidbits of Belarusian state property for a pittance; they do not want to take part in privatization on the basis of transparent schemes. As Lukashenka said: "They want to fish in troubled waters". Besides, officials have said repeatedly that Russia is not a source of advanced technologies. In Russia, they spend more electric energy and materials per unit of output than in Belarus.

Russian observers note that Belarusian official authorities intend to prevent Russian companies from buying Belarusian enterprises as soon as privatization takes place in the country. It is worth mentioning that only one out of 38 privatized enterprises was sold to a Russian company in 2011 (it was a clothing manufacture with 40 employees in Vitsiebsk.)

The strategy adoption should not be regarded in the context of Belarus-China relations either. Siamashka reiterated that China proposed polluting technologies. Moreover, the Lukashenka regime treats China as a separate domain of its foreign policy. As a rule, the documents on cooperation with China are not directed to other stakeholders.

The strategy can be regarded as an invitation for Western businesses to make money in Belarus in cooperation with Belarusian top-ranking officials. Broadening of privatization and economic liberalization in Belarus are primarily explained by the interests of high-ranking officials.

Preference for Belarusian and Western Businesses

The top-ranking officials and Belarusian businessmen have accumulated considerable funds. Lukashenka is no longer making statements about the income of owners of luxury villas in posh Minsk suburbs. Those people would like to see their money working more efficiently in Belarus. They are afraid of dealing with the Russian large-scale business with its criminal components and prefer to invite law-abiding partners from the West.

A representative of KAAS concern management (Germany) delivered the following statement at the Minsk Forum in November 2008: "German business goes to the places where it is possible to make profit. It is possible to run a successful business even in China." Such remarks were actively hailed by the invited governmental officials. They nodded in approval and smiled.

The Belarusian governmental officials believe that the aggravation of political relations with the West will not become a barrier for Western business. The top governmental officials hope that Western businesses can come to Belarus, if they are offered attractive conditions and personal guarantees (i.e., let's make a profit together). Their thinking is that they would do business in Belarus just like they do it in Azerbaijan, Kazakhstan, Uzbekistan, and the increasingly authoritarian Russia. Only time will tell whether their strategy will work.

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