

Disgrace or Promotion? Kiryl Rudy Goes to China

In July 2016, president Alexander Lukashenka appointed two new ambassadors – to China and to Georgia.

A few days earlier, several sources had reported that the president's aide on economic issues – Dr. Kiryl Rudy – was to become the Belarusian ambassador in Beijing.

This information became fodder for significant speculation concerning Belarus's economic policy in the future. Many experts considered Kiryl Rudy to be a supporter of semi-liberal (or any) economic reform in Belarus. Such expectations were generally based on Kiryl Rudy's biography, as well as his bold statements and publications regarding the current economic situation in Belarus.

Rapid career growth

At the age of 23, Kiryl Rudy completed his Ph.D. in Economics, at the age of 26 he was awarded a Fulbright Scholarship and spent four months interning in the USA, at the age of 33 he completed his post-doctoral research and at the age of 35 – in June 2013 – he became the president's aide on economic issues.

Thanks to his earlier post as an economic counsellor at the Belarusian embassy in Beijing and as deputy General Director at Bel Huavyei Technologies (a China-Belarus joint company), Kiryl Rudy is well acquainted with the peculiarities of working in China. Moreover, some experts believe that he remains one of the main lobbyists for China's interest in Belarus even after his appointment with the Presidential Administration. There are also rumours that he maintains business interests in China and in joint Chinese-Belarusian

projects.

A new boost for relations with China?

During his appointment speech, Alexander Lukashenka criticised the work of previous ambassadors to China for their implementation of joint projects. Numerous researches have expressed significant doubts concerning the benefits of existing projects for the [development of the Belarusian economy](#). The China-Belarus Industrial Park “Great Stone” is the most significant example.

In his comprehensive research, Stanislav Ivashkevich argues that Great Stone has failed to attract real manufacturing, build reliable infrastructure, or secure financing besides tied loans from China and subsidies from the Belarusian budget. Moreover, Great Stone risks becoming a competitor for the Belarusian logistics business. Kiryl Rudy has been very involved with this initiative among other examples of dubious cooperation with China.

officials do not perceive ambassadorships as particularly prestigious

In the Belarusian public administration system, officials do not perceive ambassadorships as particularly prestigious compared with positions in the highest echelons of power, especially in the Presidential Administration. However, when it comes to appointments in major foreign partner countries, including China, the situation may be different.

For former ambassadors Anatoly Kharlap (2004-2006) and presumably Pavel Burya (2011-2016), this office signalled the end of their public administration career. However, for Vladymir Rusakevich (2000-2003) and Anatoly Tozik (2006-2010),

ambassadorship in Beijing became a platform for further promotion: to the positions of Minister of Information and Deputy Prime-Minister respectively.

Kiryl Rudy belongs to the younger generation of Belarusian officials and still has ample opportunities to further his career. One can hardly call this appointment a form of disgrace or a sign of the president's displeasure with Rudy's statements or positions. Moreover, Alexander Lukashenka tends to react immediately to failures of his closest subordinates and would not have tolerated Rudy's 'liberal' ideas for any amount of time without solid reasons.

Pseudo-liberalism and a throwback to the year 2011

Almost all experts believe that Rudy's appointment in June 2013 was intended to demonstrate the president's ability and willingness to reform the failed Belarusian model of development. Kiryl Rudy was an outspoken advocate of reducing budget allocations and achieving a more balanced monetary policy, supporting private property rights, and general liberalisation of the Belarusian economy.

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However, his appointment means that he is unlikely to be able to implement these ideas. It is also difficult to ascertain to what extent they influenced Alexander Lukashenka. Moreover, some experts believe that despite any economic crisis, regardless of its gravity, the president rejects even the idea of [significant reforms](#) in Belarus.

The [confrontation between 'liberals' and 'conservatives'](#) in the Belarusian public administration predates Kiryl Rudy –

occurring in 2011 during the first serious economic crisis after the ten 'rich' years. The 'conflict' started between then Deputy Prime-Minister Siarhey Rumas and the president's aide on economic issues Siarhey Tkachou.

In spite of Lukashenka's public support of the 'conservative' faction, he replaced Siarhey Tkachou with Piotr Prokopovich and eventually with Kiryl Rudy. However, Rumas did not fall from grace, becoming the Head of the Belarusian Development Bank.

It seems that this 'confrontation' was of a largely artificial character. The Presidential Administration initiated this 'conflict' in order to prepare the ground for a number of unpopular measures, most importantly a reduction in social transfers. It is possible that this is the only form of 'reform' that Alexander Lukashenka is willing to accept.

Appeal to the IMF

However, in 2013 new negotiations with the International Monetary Fund complicated the situation. Following its Stand-By program in 2009-2010, the IMF started Post-Program Monitoring Discussions. The Fund demanded structural reforms and actual deconstruction of the Belarusian economic model. The discussions became particularly strained in 2013, when Belarus failed to complete almost all of its obligations on reforming the economy.

It seems that Rudy's appointment as a presidential aide was meant to demonstrate the authorities', and in particular Lukashenka's, personal willingness to conduct at least limited economic reforms according to the IMF's recommendations. However, during the years 2015-2016 the authorities became strongly disappointed with the IMF and in its readiness to start a new program with Belarus.

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Besides vague economic perspectives, such disappointment also threatens the light liberalisation process in the country; it suggests that parliamentary elections will be organised in the traditional way with no opposition representatives elected.

China's loans an alternative to reform?

However, the personality of Kiryl Rudy has little to do with this. He has ceased to be a source of hope for foreign agents promoting the idea of market reforms in Belarus. Meanwhile, in June 2016 China agreed to allocate a \$1.4 bln loan to Belarus. In spite of the presumably very unfavourable conditions of this loan, it looks like a better option than endless and fruitless negotiations with the IMF.

At the moment, the skills and abilities of Kiryl Rudy seem more needed in China than in the Administration of the President. However, the very fact of this personnel rotation may be a signal of renewed de-liberalization of Belarusian policy.

This does not mean that Belarus will stop attempting to secure financial support from the West, including from the IMF, but changes in economic policy or in parliamentary election processes remain unlikely.

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Closer EU Ties, Austerity Reforms, and A Cop Calendar – Western Press Digest

Belarus tries to improve its economy and sends signals to the West that it is ready to carry out reforms to attract investment and secure loans. Besides reforms, Minsk has been pushing state-owned potash producer Belaruskali to win more of the marketshare, even if it means losing money.

The EU views relations with Belarus pragmatically, making no guarantees. Despite the air of mistrust, Lukashenka has won the confidence of some policymakers in the EU that he is ready for reforms if the West is willing to support Belarus restore its image internationally with strategic issues.

A local police force in western Belarus has decided to put out a controversial calendar for the public. The calendar in question features pictures of real female members of the police force, a move that has led to a mixed public response. All of this and more in this edition of the Western Press Digest.

International Relations

[EU-Belarus Rapprochement Gaining Ground](#) – Following Minsk's constructive role as a host and mediator in the Russia-Ukraine conflict, the EU is seriously weighing how to improve ties with Lukashenka. The Wall Street Journal reports that these warming relations are still only in their initial stages, but there are serious discussions going on in Brussels about how to improve ties while not ignoring Minsk's past record.

Two issues under consideration, according to Latvian Foreign Minister Edgars Rinkēvičs, are easing visa restrictions for Belarusian citizens and supporting Belarus as it makes its bid to gain entrance to the WTO. Rinkēvičs also said that improving ties between the EU and Belarus should not be seen as trying to pull Minsk into the EU's orbit of influence.

[Diplomatic Barbs Exchanged with Kyrgyzstan](#) – Following the murder of a prominent Kyrgyz mob boss in Minsk, ties between the two former Soviet republics are under strain. In their coverage of the diplomatic sparring match, RFE/RL reports that the conflict came about after a witness to the killing of Almambet Anapiyaev in Minsk said that members of ex-president of Kyrgyzstan Kurmanbek Bakiev's were involved. Belarusian authorities stated that an official investigation needed to be carried out and that the principle of 'innocent until proven guilty' made it impossible for it to hand over anyone to the Kyrgyzstani authorities until guilt was established.

Kurmanbek Bakiev and his brother Janysh (then head of the state's bodyguard service) fled Kyrgyzstan in 2010 following the massacre of dozens of civilians who protested the then president's administration for its corruption. Bakiev contacted Lukashenka to ask that his family be given refuge in Belarus, after which the Belarusian head of state provided sanctuary for Bakiev and his entire family. Kyrgyzstan has demanded that Belarus return Bakiev, who was sentenced to life in prison in absentia for his alleged crimes.

Economy

[Winning Over Confidence With Reforms](#) – A recent article by Euromoney says that the authorities in Minsk are doing their best to convince western policymakers and investors alike that they are embarking a series of reforms to improve the domestic economy's standing. Some of these reforms including freezing public sector wages at their current levels, slashing government support for state-owned enterprises and halting

state sponsored projects that are not 80% or more complete. Like other countries in the region, Belarus' economy is struggling in the face of the economic downturn due to the conflict in Ukraine.

According to Euromoney, the mantra in Minsk is that Belarus will make good on all of its debts this year, even if that means making cuts elsewhere. Still, most experts following the developments in Belarus are wary that any substantial change is underway – especially with the upcoming presidential election this fall. Major reforms, like the privatisation of state-owned enterprises, are still not on the table. Despite the sense that Minsk may not be serious about carrying out serious reforms, there is much optimism that rapprochement between Belarus and the EU is gaining traction and may open the door to stronger ties between the two parties.

[Belarus Pushing Potash Exports](#) – Bloomberg reports that Belarusian potash producer Belaruskali is working overtime to get a larger share of the lucrative global market. Following the messy split with its Russian partner Uralkali, the Belarusian potash exporter has struggled to gain better control over the market and maintain its relevance. It has done this by selling to countries like Brazil and China for a discounted rate and is suspected of flooding the latter's market to the point that it is not interested in buying more due to its large surplus. As currencies decline in value across the globe, potash producers are seeing export costs drop as well – a development that is driving more competition.

Civil Society

[Man Detained for Writing on Fence](#) – Based on an RFE/RL report, the BBC reports that a resident of Brest in eastern Belarus has been detained for keeping a public 'fence blog'. Mikhail Lukashevich has been writing on a city fence since the 1990s, but began regularly posting only around 10 years ago. His comments are typically confined to discussing current

political issues and are critical of the authorities, according to the report. Lukashevich is under investigation by the authorities for 'defaming Lukashenka' and says that he may have to undergo psychiatric evaluation. The article notes that during the Soviet era he spent time in a psychiatric hospital in the past.

Miscellaneous

[Not Your Average Calendar](#) – Female traffic police have made quite a stir in Belarus lately, but it is not their professional accolades that are drawing the public's attention writes the Daily Mail. The Mail's photo exposé, based on a report from Vocativ.com, has created some controversy, with some citizens calling it a 'desperate' move by the government, while others appear to be [rather fond of the idea](#). While not entirely uncommon in the West, this is the first documented calendar of its kind in Belarus.

[Unique Underground Medical Treatment](#) – An unconventional treatment for patients with lung ailments has taken foot in Belarus, reports the Daily Mail. According to the UK publication, children and adults alike are treated for issues like bronchial asthma and chronic obstructive pulmonary disease by breathing in the unique mineral-rich air found in an abandoned salt mine found some 1,400 ft below the surface. Treatment lasts for 19 days and is often repeated over a period of 2.5 years. Less one fret, patients sent to the underground facility treat it more as a period of leisure than treatment, as the treatment centre is full of things for them to do, including sport and games.

Devin Ackles

Business and Politics in Belarus: Better not to Mix

Chief Executive of OAO Uralkali Vladislav Baumgertner, a Russian national, was detained in Belarus today on an abuse of office charge as chairman of Belarusian Potash Co (BPC).

The charge may lead to up to ten years in prison with the confiscation of all his property. Belarus also asked Interpol to help with the arrest of four other BPC employees and board members.

Arrested in the airport following negotiations with Belarus prime minister Mikhail Miasnikovich, Baumgertner fell victim to the economic conflict between Minsk and Moscow that started earlier this summer with Russian Uralkali [suspending exports through the Belarusian Potash Co](#).

His misfortunes demonstrate the [risks](#) involved in doing business in Belarus, a country where politics and business form an explosive mix. And if it is possible that Baumgertner can at least contact the Russian embassy, Belarusian businessmen are in a double bind between the EU and Lukashenka's blacklists. American lawyer Emmanuel Zeltser, who was also involved in disputes between Russian oligarchs affecting interests of the Belarusian state, had to spend almost 16 months in a KGB prison until a high level delegation of [US Senators came to rescue him](#) in 2009.

Loyalty to Lukashenka and staying away from politics determines a business' success for those who want to do business in Belarus. A comparison of the wealthiest Belarusians and Ukrainians illustrates this point.

Shaking the "grabbing hand" of the Belarusian state

Although big business in Belarus has come a long way since the 1990s, success continues to depend on a person's loyalty to the current political regime. In this sense, Belarus has [no actual oligarchs](#) – defined as having enough wealth to wield political influence. In Ukraine, over half of the top 100 Ukrainian oligarchs support one or another political party. While the governing Party of Regions enjoys the most popularity, the supporters of the 2005 "Orange Revolution" stayed in business, even though some have changed their political allegiances since then.

In Belarus, in contrast, businessmen support only pro-Lukashenka organisations, such as [Belaya Rus](#), a Belarusian version of Vladimir Putin's United Russia party, supported by owner of the Marko shoe-business Mikalai Martynau. In the 2001 presidential election, former secretary of the central committee of the Belarusian Communist Party Anatoly Lashkevich, who became a successful businessman in independent Belarus, supported the opposition candidate Uladzimir Gancharik, and had to emigrate following Lukashenka's victory.

Not a single businessman from [Ezhednevnik's rating](#) of top Belarusian businessmen feature among the 110 deputies in the lower chamber of Belarus's National Assembly. Back in 2001, Alyaksei Vaganau, successful in the automobile industry, had to suspend his business activities upon becoming a deputy in order to comply with Belarusian legislation.

In the upper chamber, out of a total of 64 deputies there are only two "oligarchs" (Alyaksandr Shakutin and Mikalai Martynau). Businessmen are virtually absent from the government. In contrast, in Ukraine, more than one fifth of the 100 wealthiest businessmen identified in [FOCUS rankings](#) serve in the Ukrainian Rada. Furthermore, only one third of all Ukrainian businessmen have never held a state position.

Becoming Lukashenka's wallet

No "red directors" made it into Ezhednevnik's list, although these "red directors" make up more than one fifth of the richest 100 Ukrainians in FOCUS. Back in the 1990s, a great many managers of formerly Soviet enterprises benefited from privatisation, becoming the first oligarchs in the post-Soviet space. In Belarus, however, privatisation came late and was small in scope. Even today, the government owns most enterprises in the country. The first big businessmen of the 1990s fell prey to the policies of Alexander Lukashenka's first two presidential terms.

The times have changed and Lukashenka now needs business people to modernise the state's factories, to comply with privatisation conditions attached to most western loans, and to protect the Belarusian economy from the dominance of Russian oligarchs. This explains the rise of a phenomenon absent in Ukraine: the growth of the practice of the national holding companies that consist of groups of state enterprises under the management of private businessmen.

Belarusian businessmen seem more likely to own business assets abroad than their Ukrainian counterparts, even despite smaller overall wealth. Eighteen out of top 20 Belarusian businessmen in Ezhednevnik and only fifteen out of the top 20 Ukrainian businessmen in FOCUS have assets in other countries.

For example, the wealthiest Belarusian according to Forbes, Uladzimir Peftiev, who owns assets in Austria, Malta, and India, is estimated to be worth only \$1bn. The wealth of each of the top 20 Ukrainian oligarchs in FOCUS surpasses Peftiev's. Rinat Akhmetov, the wealthiest Ukrainian oligarch, owns more than \$15bn. Less than half of the 20 Ukrainian businessmen whose wealth approaches the wealth of the top 20 Belarusians have assets abroad.

Geographic diversification of assets allows for the hedging of risks and preparation for the day when one falls out of favour domestically. While Belarusian businessmen have assets in

countries as diverse in regulatory environments as the United States, Singapore, India, and Germany, Russia is by far the most popular location – just far enough that the “grabbing hand” of the Belarusian state cannot easily reach.

Even so, Belarusian business did not make it to the international stock exchange listings. In 2012, EPAM Systems filed for IPO on the New York stock exchange. However, EPAM is atypical as it is owned by Arkady Dobkin, who emigrated in 1991 and today lives in Pennsylvania, where EPAM was launched. In contrast, about 40 per cent of the 50 richest Ukrainians have assets listed internationally.

A risky business

A final distinction between the Ukrainian and Belarusian big business is that the assets of the Ukrainian oligarchs are much more secure not only domestically, but also internationally. In 2011, three of the Belarusian “oligarchs” fell under [EU sanctions](#): Uladzimir Pentiev, who is sometimes called “Lukashenka’s wallet”, became the first Belarusian businessman to appear in Forbes; Yury Chiz, a close friend of Lukashenka’s; and Anatoly Ternavskiy, who owns a group of companies “Uninvest-M” concentrated in the energy sector. Ukrainian businessmen, at least for now, seem to have avoided this fate.

So what determines a business' success in Belarus? Having no ambition to become a true oligarch; in other words, ensuring that one’s wealth does not become a source of political power.