

Two months of protests – Belarus Civil Society Digest

Two months of ongoing Belarusian protests demanding Lukashenka to step down continue with no sign of abating.

For 8th [Sunday](#) in a row, as many as 100,000 people thronged the center of Minsk – police deployed water cannons and arrested some 300 demonstrators. 16 journalists covering the protests were among those arrested.

Senior citizens organized their first march of protest. BY_Help/BYSOL provided almost \$1.5mln to support the repressed. Health Ministry admits that the second wave of COVID-19 has started.

- **The daily solidarity and protests actions** continue across the country showing their “[maturity and meaningfulness](#)”. Neighborhood solidarity at [rebellious courtyards](#) is becoming a trend of resistance. Along with [student](#) sit-ins and video appeals, [street-art](#) everywhere, [non-payment](#) of utilities, boycotting the Lukashenka-related companies, workers of large plants ([Naftan](#), [MTZ](#), [MZKT](#)) switch to independent trade unions and some [1,300 cultural figures](#) speak out against violence. This Monday, for the first time, [seniors](#) organized their march in Minsk.
- **Civil society.** [Dze.chat](#) platform helps Belarusians find supporters through 1,000 local Telegram chats. The Honest People initiative launched the [ZAVOD chat bot](#) to unite Belarusian workers. The [Citizenship Education Week](#) and the [Week Against the Death Penalty](#) are held in Belarus. The payments of [BY_Help/BYSOL](#) aid to the repressed have amounted to \$1,300,000 with 1,500 cases supported. Cryptocurrency exchange Kuna.io and BYSol fund kicked off [new crowdfunding](#).

- **Coordination Council.** The Council announces its campaign to involve Belarusians in [Constitutional reform](#). Calling for international support, the opposition leader Sviatlana Tikhanouskaya met with [German Chancellor](#) and [Slovak President](#), as well as with MFA Heads of Austria, Germany, Bulgaria, Greece and Slovakia. The opposition [sanctions list](#) includes some 800 people responsible for the violence in the country.
- **Repressions.** 3 protesters killed, 500 cases of torture, 1,800 allegations of violence, over 300 journalists detained, and zero cases opened to investigate police brutality – the human rights defenders release the [Belarus After Election](#) report. [97 political prisoners](#) remain in jail (+[20 new political prisoners](#) this week). Please check out documentaries of [The Guardian](#) and [TV Rain](#) devoted to victims of repressions.
- **Economy in recession.** If the current government remains, the most optimistic scenario will be a [prolonged decline](#) of the economy, and then stagnation, economists believe. Gold and foreign exchange reserves [decreased again](#) – by \$136 million in September. Nine Belarusian banks completely [stopped lending](#), in other banks interest rates on loans reach up to 39%. Gazprom views Belarus as an [unstable transit country](#) due to the current political situation.
- **International reaction.** [EU states](#) recall their Ambassadors from Belarus. [32 Polish diplomats](#) leave Belarus to meet the demand of the official Minsk. The [EU Delegation Head](#) stays in Minsk so that “communication channels remain.” The International Olympic Committee, [IOC](#) investigates into political interference in Belarus. [Russia](#) puts Tikhanouskaya on the wanted list.

- **COVID-19.** Healthcare Ministry [admits](#) the second wave of COVID-19 in Belarus with over 400 daily new cases and advises Belarusians to [limit](#) the number of contacts by 75%. Since the beginning of the pandemic, over 82,000 Belarusians positively tested for and 885 died [due to COVID-19](#).

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.

Post-election turmoil is taking a toll on the Belarusian economy

The breach of trust in the government since the disputed 9 August presidential election has already cost the Belarusian economy a lot. People are withdrawing deposits from banks, large manufacturing enterprises are going on strike, and IT companies are planning to relocate. While the government tries to shift the blame for the current economic troubles onto protesters, only dialogue can avert much more serious, long-term damage.

Devaluation of the ruble and a run on the banks

The collapse in trust first affected the Belarusian ruble and the banking system. In the weeks since the 9 August presidential election, Belarusians have flocked to banks to withdraw their ruble deposits and convert them into dollars and other hard currencies. Several Telegram channels have added fuel to the panic by encouraging people to withdraw deposits in order to generate a banking and economic crisis with the aim of weakening the regime.

The demand for currency exchange has doubled, and the national bank has had to spend its foreign reserves to meet it. Despite these measures, the ruble still depreciated by 9% (from BYN 2.45 per USD 1 before the election to BYN 2.66 per USD 1 as of 28 August). While foreign reserves are currently large enough to support the ruble (USD 8.9bn as of 1 August), the national bank might spend as much USD 1bn this month alone, and it still has to keep currency aside to meet upcoming foreign debt repayments.



The exchange rate of Belarusian rouble, roubles per \$1.
Source: The National Bank of Belarus

As Belarusians withdraw their deposits, the national bank finds itself between a rock and a hard place. It is trying to provide enough liquidity to support the struggling banks, without letting the excess liquidity flood the currency market. Interest in liquidity is already as high as 18%, compared with a refinancing rate of 7.75%. The banks (both the large Russia-owned behemoths like BPS-Sberbank and smaller private banks like Prior or Alfa-bank) are already cutting

their lending programs. If the current situation of high pressure continues, it may have repercussions not only for the banking system but for the real sector as well. As a result of the coronavirus crisis, large state-owned enterprises (SOEs) have accumulated large debts, and are in constant need of refinancing.

Effects of the strikes

The strikes taking place at SOEs are ironic. Government support for loss-making manufacturing giants and their bloated employee base has been the cornerstone of the economic and social policy of President Alexander Lukashenka. Workers at almost all the largest SOEs have announced their intention to strike: these are MAZ truck works, MTS tractor works, BELAZ haul truck producer, and even the MZKT military transport works. So far, the economic effects from strikes are difficult to predict, as most have taken the form of the covert strikes typically seen in Italy, in which workers quietly sabotage their work or work less efficiently, rather than walking out.

Most painful would be strikes at the country's major exporters – potash extractor Belaruskaly and two oil refineries, Naftan and Mozyr; workers at two of these entities have announced their intention to strike. Keeping currency flows coming into the economy stable is crucial, given the situation on the currency market. Other machinery-making enterprises have excessive inventories, and strikes will have symbolic costs instead of economic.

Exodus of IT

The post-election violence will have the most profound effect on the IT sector in Belarus, and not just because employees at major IT companies are among those who have been beaten and

tortured. People who work in IT have a higher demand for security, law, and order. They can also easily find employment abroad, as their skills are in demand and transferable. No wonder many IT companies are already relocating their offices and employees to other countries. The largest IT companies like Wargaming and EPAM are offering a relocation option to their employees, and Russian tech giant Yandex has evacuated some of its employees out of Belarus. Other companies, including the popular messenger application Viber, have announced that they are stopping any new investments into the country.

In recent years the IT sector has been the only driver of growth for the stagnating Belarusian economy. While it will not disappear overnight, it will certainly stop developing, and Belarus is under threat of losing its image as an IT hub if things do not change.

Public debt and possibilities of default

In the coming years, Belarus will have to repay USD 2-3bn annually. The reserves accumulated by the Ministry of Finance will cover these needs this year. The initial plan was to refinance 75% of the debt. However, now the possibilities for refinancing are limited. After the election, the price of Belarusian Eurobonds fell, driving yields to 8-9%, a level that Belarus cannot afford. International financial organizations like the IMF will not cooperate with a sanctioned country that is not open to reforms. Meanwhile, China prefers to operate through trade credits and other types of tied loans and is reluctant to provide financing to support foreign reserves.

Belarus has only one place to turn for help – Russia. Russia together with the Russia-controlled Eurasian Fund for

Stabilization and Development jointly hold 50% of Belarusian public debt. It looks like Belarus will either have to face default or, more likely, negotiate with Russia, deepening its economic and political dependence on its eastern neighbour. In return, Russia may ask for further integration with Belarus, which was discussed last year, or for lucrative privatization deals.

Long-term consequences

The economic crisis which is unfolding currently is only the beginning of Belarus' economic woes. Without the restoration of trust in the government, the Belarusian economy will stagnate. Talented youth will choose to study abroad, and the most active and dynamic adults will emigrate.

Entrepreneurs will opt for safer options instead of exploring innovative ventures. Foreign direct investment will not grow, while domestic capital will flee. Any attempts at economic reform will fail due to the lack of popular trust in the authorities. The government itself will lose its best people. All these changes will happen gradually over time, and will not be noticed as much as the current, immediate political crisis. But they will result in long-term, economic stagnation if the current situation is not resolved through dialogue about implementing change in the country.

Kateryna Bornukova, BEROCC

This article is a part of a joint project between Belarus Digest and Belarusian Economic Research and Outreach Center (BEROC)

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Belarus pursues 'social parasites' at home and abroad

Since late 2016, Belarusian tax authorities have started sending out notifications to all unemployed Belarusians forcing them to reimburse the government for 'state expenditures.'

In other words, the Belarusian state automatically assumes that all people not reported as working are freeloaders, taking advantage of the social system without contributing to it.

For some Belarusians, [the infamous tax](#) became the straw that broke the camel's back, pushing them towards suicide. In January 2017, president Lukashenka modified the 'parasite law,' exempting the most vulnerable groups. Nevertheless, he left the notorious policy in place.

How the authorities see the tax

In 2015, Belarus became probably the only country in the world where the unemployed have to pay the government for not having a job

In 2015, Belarus became probably the only country in the world

where the unemployed have to pay the government for not having a job, rather than counting on its support. Currently, the notorious 'social parasite' decree concerns all Belarusian citizens, permanent residents, and stateless people residing in Belarus. Anyone who works less than 183 calendar days in one year 'owes' the state around €220 per annum.

On 12 January 2017, the decree was slightly modified when the president approved new amendments. Meanwhile, the tax ministry set the final payment deadline for 20 February 2017.

The modified decree clarified the categories of citizens eligible for a tax waiver. These include athletes playing for national sports teams, alternative civilian servicemen, and unemployed people who are registered at job centres.

A significant difference from 2015 is that currently unemployed parents raising children from three to seven years old will be eligible for a tax waiver only if the child does not visit a daycare or pre-school facility. In the original decree, waivers were available to unemployed parents of children under seven regardless of whether or not they go to daycare.

More importantly, the new decree permits local authorities to waive the tax for individuals in 'dire circumstances.' However, authorities did not specify what constitutes 'dire circumstances' for an unemployed person.

How the tax really works

On 13 January 2017, a representative of the Belarusian tax ministry, Mikhail Rasolka, informed the media that the authorities have mailed out about 400,000 notifications to Belarusian citizens who are not participating in financing state expenditures. Out of this number, only 24,000 people have already paid the 'parasite' tax, thus contributing only

€3.3 million to the budget instead of the anticipated €21.5 million.

The tax authorities were not able to comment on the number of people who managed to prove that they received these notifications by mistake, as apparently they do not have these statistics. So far, it seems that errors are abundant and the databases of various agencies are still not coordinated.

Notifications have also been sent to women on maternity leave, students, and even the deceased.

For instance, the tax ministry waived the 'parasite' tax for Belarusians who spend less than 183 days in the country, regardless of whether they participated in the financing of the state expenditures or not. However, all Belarusians who currently reside abroad automatically received reminders to pay the new tax.

What happened is that despite having full access to the databases of the border crossing agencies, the authorities mailed out the notifications in bulk. Now, it is up to the citizens to prove their whereabouts to become eligible for the waiver.

Notifications have also been sent to women on maternity leave, students, and even the deceased. Many recipients reacted with indignation, noting that they were not obliged to provide jobs for bureaucrats or prove their status.

Harassment of the unemployed

✘ According to the Ministry of Labour and Social Protection, unemployment has been declining steadily, with 35,800 unemployed people, or 0.8 per cent of the working population as of December 2016. Yet official numbers [do not reflect reality](#), as a majority of unemployed people do not register at

job centres.

Currently, the perks of being officially registered as unemployed in Belarus are meagre. Financial aid ranges from €10 to €20 per month, provided the unemployed works several days a month at any job that the job centre offers them.

Moreover, the unemployed person must prove to the job centre that he or she is actively seeking employment. However, with the ongoing economic crisis, job-hunting is becoming increasingly difficult, especially in smaller towns.

According to human rights activist Viktor Sazonau from Hrodna, many people have started seeking legal help to deal with the 'parasite' tax. The overwhelming majority of them are unsuccessful job seekers. Some of them are destitute, not even able to cover the cost of their utilities.

In the most extreme cases, the tax has cost lives. After paying €173 of his 'parasite tax' in October 2016, 60-year old Ajvar Jaskevič from Asipovičy jumped from the fifth floor of his apartment building in December 2016. He quit his job one year before he was due to retire and could not find a new one. His suicide note read: 'I have never been a parasite, I have worked honestly my entire life.'

A chance for the opposition?

✘ As the tax authorities try to squeeze money out of the most socially vulnerable citizens, popular discontent with the new tax is spreading. United Civil Party MP [Hanna Kanapackaja](#) has already declared that she would initiate a campaign against the 'parasite law' in the House of Representatives.

On 18 January 2017, activists from her party collected signatures against the notorious law. They demanded that the state 'fight unemployment instead of the unemployed.' Nine opposition parties have already announced a 'March of Non-

Parasites' for 15 March 2017, and other protests are also planned for February, closer to the final payment deadline.

It is unclear how the state would react if the unemployed refuse to pay *en masse* by 20 February. Possible sanctions range from a fine to administrative arrest. However, the criteria for applying these punishments remain fuzzy.

If cases of non-payment are numerous, they would require considerable time and resources to deal with. At the end of the day, the costs of the parasite law implementation might outweigh the gains for the state, discrediting the current political regime, and encouraging the growth of popular discontent in society.

Belarus's private sector at a crossroads

On 7 September 2016 BEROC (Belarusian Economic Research and Outreach Center) held a seminar on private sector development in Belarus featuring presentations and debates from experts.

Peter Arushanyants, Director of the Department of Entrepreneurship at the Ministry of Economy of Belarus, has asserted that the government will do its best to promote the development of entrepreneurship in Belarus.

However, representatives of small and medium businesses are more pessimistic about their prospects; many consider the existing barriers to business development insurmountable.

Self-reliance: forget about money

Speaking optimistically, Peter Arushanyants has claimed that the share of small and medium business in economic indicators accounts for 28 per cent and is set to reach 40 per cent in five years.

However, the actual figures contradict the above statement. Starting in 2012, the share of medium and micro enterprises in GDP has consistently fallen (see Figure 1).



The government representative has also highlighted the most significant problems for entrepreneurs in Belarus, including legal and financial barriers and high taxes.

According to experts at the International Finance Corporation (IFC), "legal barriers" implies the large number of necessary documents and stamps, the absence or lack of information about administrative and licencing procedures, the length of the process (more than three days), and the unnecessarily "high" level of decision-making (when decisions could be made by lower ranking officials).

The second barrier for entrepreneurs involves high interest rates on loans, sometimes reaching 30 per cent. The third problem mostly has to do with the instability of tax legislation, which increases uncertainty in the operating activities of small and medium companies.

According to Belstat, the share of employment in entrepreneurship has remained more or less static over the last seven years; this may indicate that entrepreneurship is not very appealing to Belarusians.

However, Peter Arushanyants has tried to convince the business community that the authorities are doing their best to promote commercial activity. Measures include the creation of a state body that will assess the regulatory impact of legal acts, further reduction of administrative barriers (currently 780), financial assistance, and possible two year holidays for newly established enterprises.

Women in business: get involved

BEROC Researcher Maryia Akulava discussed the gendered aspect of the private sector in Belarus in her presentation. The share of women among owners of private enterprises comes to about 44 per cent, which is on average 10 percentage points higher than in other transition countries (see Figure 2).[□]



Moreover, women's share in the number of top managers has reached 36 per cent, which is almost twice that of other transition states. According to Belarusian businesswomen, one of the main reasons for this substantial increase is the[□] availability of free money for self-realization.

However, the Head of the International Finance Corporation (IFC) Representative Office for Belarus, Olga Shcherbina, has admitted that the number of women on the list of the top 200 entrepreneurs in Belarus is very small. Moreover, half of them represent citizens of other countries; the others are continuing the business of either their parents or spouses.

Thus, she concluded that [Belarusian women still lack entrepreneurial initiative](#). In order to participate in big business they need special support and a centralised training program.

The business environment: surviving the storm

In light of the current economic recession in the country, sociologist at the IPM Research Center Darya Urban has identified four main internal barriers to development of small and medium private enterprises in Belarus.

These include low motivation and productivity of personnel, lack of cheap money, a low level of managerial flexibility, and poor marketing strategy. The external flaws include instability of the Belarusian ruble, high tax rates, high interest rates, and volatile legislation.

As a result, the level of entrepreneurial optimism has fallen. In 2015 more than 80 per cent of respondents believed that they would be able to ride out the "storm". However, today the number of "sea wolves" has dropped by 60 per cent.

Moreover, The Honorary Chairman of the Business Union of Entrepreneurs and Employers Georgy Badey is even more pessimistic about whether businesses will be able to survive all nine waves of economic turmoil.

According to him, the average annual growth rate of newly established small and medium enterprises decreased from 21 per cent in 2006-2010 to 5 per cent in following years (see Figure 3).



Finally, one of the biggest problems remains the geographical disparity of entrepreneurial activity: most entrepreneurs are based in Minsk or large regional cities. Smaller cities and towns still suffer from a lack of entrepreneurial development.

Belarus's business takes place in the hypothetical centre of

Europe. However, Europe's geographic heart is far from its economic one. Small and medium businesses are still in need of advice and economic support, hope for a simplification of administrative regulations, prefer to operate in big cities, and remain unsure about how [to motivate the million and a half Belarusian taking part in commercial activity](#).

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Humanism or Political Calculation: Why Did Lukashenka Pardon Political Prisoners?

On 22 August, the state-run news agency Belta reported that “based on the principle of humanism” the President of Belarus decided to pardon and release from prison former presidential candidate Mikalaj Statkevich and five other opposition figures.

Lukashenka is trying to enter the same river twice – to repeat the [manoeuvres of 2008-2010](#). It has worked so far: the European Union and the United States has already praised Lukashenka for pardoning the opposition activists.

The past 21 years has shown that the release of political

prisoners has very little if anything to do with the principle of humanism and will not lead to significant changes in Belarus. The Belarusian president hopes to secure financial support for the struggling Belarusian economy and become more legitimate in the West and at home.

Principle of Humanism: Is it really?

Lukashenka, often labelled in the West as the last dictator of Europe, can hardly be characterised as a politician driven by the principles of humanism. For the past 21 years while in power, the country has consistently ranked low on all democracy scales including Freedom House, and Polity IV Individual Country Regime Trends.

On the suggested three part categorization of a widely used data series on the level of democracy The Polity IV Project scores of "autocracies", "anocracies", and "democracies", Belarus has consistently ranked as an autocracy since Lukashenka came to power. One can notice similar trends in Freedom House and The Index of Economic Freedom scores.

An Internet resource palitviazni.info reports the total of 186 political prisoners in Belarus since the incumbent president came to power. According to the website, Belarus had [political prisoners](#) every year for the past 20 years (see the graph).

The release of political prisoners aims to change the focus from the absence of competition in the upcoming presidential election and gain western legitimation of Lukashenka. But political prisoners are unlikely to become history in Belarus.

Just recently on 11 August, Belarusian authorities arrested three graffiti painters, Maksim Pyakarski, Vadzim Zharomski, and Viachaslau Kasinerau for the painted slogan 'Belarus must be Belarusian' painted on a billboard that used to have images

of policemen. The number of political prisoners may rise again in case of protests against the results of the upcoming presidential election this October.

Economic Crisis and Need for Money

Belarus has experienced a significant currency depreciation  since the beginning of 2015. The national currency has lost 9.7 per cent of its value since 1 August and 40.6 per cent since 1 January 2015 (see the graph).

In July, Belarus asked the [Russian government for a loan of \\$3 billion](#), but only received a tranche of \$760 million. Since the Russian government lends in Russian rubles, due to the depreciation of the Russian ruble Belarus in reality only received about \$720 million.

While the loan kept the Belarusian ruble afloat even if shortly, in 2015 Belarus has to make foreign debt payments of over \$4 billion. The Belarusian ruble has been plunging every day within the past week. To avoid this financial turmoil Belarus needs more loans.

After debt repayments to the IMF and redemption of Eurobonds on 31 March 2015 the Russian government became the main creditor of Belarus in the structure of its external debt. Therefore, obtaining funding from the West, matters also in terms of economic security for diversification of external debt.

Hopes for IMF Credit

Besides hoping for help from its Eastern neighbour, the Belarusian authorities are counting on a new loan from the IMF. From a political point of view, the release of political prisoners increases the chances for the Belarusian government to receive such a loan.

Belarus received the last IMF loan immediately after refusing to recognise the independence of Abkhazia and South Ossetia following a military conflict between Russia and Georgia in August 2008. In an interview with Charter97, Statkevich commented that he suspected his release after learning that Lukashenka was getting short of money and finding out that none of the opposition candidates managed to collect 100 thousand signatures.

From an economic point of view, the IMF has a reason to start new talks, as this year Belarus completed principal payments on the previous IMF loan extended in 2009-2010. According to the official news agency Belta "Now Belarus has fully discharged its obligation to the IMF".



From 8 to 15 July IMF experts worked in Belarus. They met with the Belarusian authorities. IMF representatives agreed with the Belarusian authorities to continue the dialogue "to ensure the preparation of the program." If the International Monetary Fund sees that Belarus made "sufficient progress," the mission will arrive for formal negotiations on the program this year.

The release of political prisoners presents another strategic move of the Belarusian government in its game to stay in power. Such moves worked before and likely will work again. EADaily reports that the EU has called the release of Belarusian opposition figures as "significant progress in the efforts aimed at improving relations" between Minsk and Brussels.

It is doubtful, however, that the release of political prisoners will lead to more systemic changes in Belarus. The graph on political prisoners shows sharp increases in the number of political prisoners in 2006 and 2010, the years of presidential elections. Such sudden rises indicate that there are no guarantees that in November the list of political

prisoners will not start to grow again.

In the midst of the economic crisis and close to presidential elections, it is important for the Belarusian government to create the appearance of political liberalisation to receive funding and praise from the West. At the same time, Belarus will not leave the orbit of Russian influence due to Belarus' huge [economic dependence on Russia](#).

Belarus and Russian Food Embargo: a Success Story?

Belarus became the primary beneficiary of the food embargo, which Russia imposed against Western nations in August 2014. In January – May 2015, Belarus supplied 916.4 thousand tons of embargoed products to Russia, a 53.5% increase over the same period in 2014.

Two weeks after Russia introduced its food embargo, Howard Solomon, the minister counsellor at the US Embassy in Moscow, tweeted: "Last night, I tasted the Belarusian salmon. It reminds me of the one from Norway, but more expensive. I'll taste the Belarusian parmesan next."

What really stands behind this Belarusian commercial success: the hard work of domestic producers or the inventiveness of local smugglers?

Exploring the Klondike

Belarusian farmers, entrepreneurs and officials [moved fast](#) to take advantage of this windfall. The next day after the

introduction of the embargo, Leanid Marynich, the Belarusian first deputy minister of agriculture, assured Russia of Belarus' willingness to "substitute Western countries for many food positions" calling this lucrative opportunity a "Klondike".

We must stir and seize the moment to make money

Immediately, several European companies wanted to invest in transforming agricultural products in Belarus. Officials from Latvia, Lithuania and [Poland](#) – Belarus' EU neighbours who are affected by the embargo – came to Minsk to discuss the opportunities for joint processing and exporting of dairy products.

In August 2015, President Lukashenka gave his blessing to this cooperation in his very direct style: "We must stir and seize the moment to make money... We have not made any commitments [towards the Russians] about our domestic market. We can import products from around the world. We must load, process and sell [them]. "

However, these ambitious projects turned out to be difficult to implement, at least in a legitimate and transparent manner that the officials promised. The production capacity of meat processing and dairy plants quickly became saturated. In addition, any radical increase in the export of food products might cause a deficit in the domestic market.

Lukashenka had to recognise the complexity of the situation at a government meeting at the end of 2014: "Even if we wanted to, we cannot import more meat and milk today for the transformation that we brought from the West [before], because we do not have any spare capacity."

Smuggling Beats Transformation

However, these difficulties never stopped Belarusian entrepreneurs. Many of them engaged in [outright smuggling](#) trying to bypass sanctions on a scale, which can hardly exist without the tacit consent of top-ranking officials. The open border between Belarus and Russia has definitely facilitated these projects.

A week after the introduction of the embargo, the Russian Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhozadzor) reported the first attempt to bypass the embargo from the territory of Belarus. Russian inspectors stopped a lorry with 19 tons of Ecuadoran peaches and nectarines accompanied by forged phytosanitary certificates issued in Belarus.

by the end of September 2014 the patience of the Russians ran out

Initially, Rosselkhozadzor tried to solve the problems of smuggling "in family", without much publicity. However, the negotiations failed and by the end of September 2014 the patience of the Russians ran out. Rosselkhozadzor began reporting on the attempts of Belarusian businesses to circumvent the embargo on an almost daily basis.

The web site of Rosselkhozadzor has been running what resembles a battle-field situation reporting about attempts to import products "of unknown origin" without certificates or food coming from embargoed countries and accompanied by Belarusian certificates. Thirty tonnes of potatoes, twenty tonnes of tomatoes, forty tonnes of pork, eighteen tonnes of grapefruits, two tonnes of beef ... However, the true scale of contraband certainly exceed these figures, given the extent of corruption in Russia.

this brief trade war ended in December 2014

In November 2014, Rosselkhoznadzor started a trade war with Belarus by banning imports of meat and dairy products from twenty-three Belarusian producers. Moscow also prohibited the transit of Western food products to Kazakhstan through the Belarusian and Russian border. Belarus and Russia de facto [reinstalled customs controls](#) on their common border. In retaliation, Minsk forced Russian trucks to spend long hours waiting at border crossing points.

This brief trade war ended in December 2014 when Russia gradually recalled its import ban. Nevertheless, resourceful Belarusian entrepreneurs have not abandoned their efforts to supply the neighbouring country with European products re-labelled "Made in Belarus". In January – March 2015, Rosselkhoznadzor identified nearly 200 falsified phytosanitary certificates, which accompanied imports from Belarus.

Contradictory Statistics

Belarusian attempts to substitute the Western food imports to Russia have brought uneven results. While for some positions there has been a spectacular increase in supplies, the most ambitious plans have failed to come true.

In September 2014, an official of the Belarusian Ministry of Economy announced the country's intention to increase its food exports to Russia by \$300m in 2014. In fact, the Belarusian supplies of food products to Russia increased only by 0.9%, which represented a growth of about \$42m.

In January – April 2015, according to Russian statistics, Belarus increased its share in Russia's imports of fresh and chilled beef from 76% to 90% compared to the same period of the previous year and cheese from 26% to 76%. However, in tonnes and dollars these exports grew very modestly. Belarus was more successful in its exports of apples, milk, cream,

dried and salted fish to Russia.

In 2014, Belarus increased its imports of fresh fish by 7.1 tonnes, mostly from Norway; its export of dried, salted and smoked fish grew by 6.2 tonnes

Last year, Belarus bought an additional 208 tonnes of apples from the EU and Moldova. Again, most of the fruit the country most likely re-exported to Russia, as its export to this country grew by 198 tonnes representing a 142% increase.

Alongside with the direct re-packing and re-labelling, other transformations also took place. In 2014, Belarus increased its imports of fresh fish by 7.1 tonnes, mostly from Norway. The bulk of this surplus underwent transformation in Belarusian plants and went to Russia, as Belarusian exports of dried, salted and smoked fish grew by 6.2 tonnes.

On 5 August, the Belarusian minister in charge agriculture and food [Leaniid Zajac](#) claimed that the Russian decision to destroy confiscated Western products never affected Belarus and refuted all accusations of possible contraband. "We will ensure that our products continue to enter the Russian market without any interruption and that there would be not one iota of doubt in our products' country of origin and quality", he said.

The Belarusian success story in becoming the primary beneficiary of the Russian food embargo has been a complex mixture of hard work, honest entrepreneurship and [cunning scheming](#). But even with this combination Belarus gained less from the Russian embargo that it had initially hoped.

Collapsing Economy Weighs on the Authorities – Digest of Belarusian Economy

A labour strike at a major state-owned plant in June suggests that the current economic crisis will present serious political challenges to Belarus. Despite it being an election year, wages and pensions are not growing – a rare occurrence. Yet, stagnating incomes are not the country's primary problem.

Many state-owned enterprises do not have enough money to even pay the low wages they have in place now. They have to cut back on their labour expenses. Even the government expects situation to worsen, and this may just be one of the factors behind moving the election one month ahead.

Economic Crisis and the Labour Market

Belarusian GDP continued its descend in May, dropping 3 per cent in January-May 2015 relative to the same period last year. Manufacturing experienced the most serious decline – 8.3 per cent. Many enterprises are experiencing serious issues with their liquidity. Most of manufacturing enterprises, especially those that are state-owned, export a large portion of their goods to Russia. As the Russian market continues to decline, exports for Belarusian companies have similarly fallen, despite the stimulating effects that typically accompany devaluation.

Declining production adds strain to the labour market. In the absence of any stimulation policies from either the government and the National Bank real wages continue to fall (-3.2 per

cent in Jan-Apr 2015 relative to the same period last year). But the real crisis lies in paying wages to their bloated workforce, a task that is all but impossible for most enterprises.

the official unemployment figure is climbing mainly thanks to the so-called “social parasite” law

Official employment figures dropped by 25 thousand people over the course of December 2014 to April 2015. The official number of individuals registered as unemployed also grew slightly, up to 1 per cent of the overall labour force. But [this low figure says nothing of the true reality facing the labour market](#) – it is abundantly clear that not every unemployed person will register, as the unemployment benefits are minuscule.

Currently the official unemployment figure is climbing mainly thanks to the “social parasite” law – obtaining the status of being unemployed frees one from the obligation to pay the “parasite tax”. Employment centres have even had to increase their working hours to accommodate everyone who wishes to register.

Many state enterprises are avoiding releasing their workers despite their inability to pay their wages. As a result of this policy, on the 1st of June 444 companies had wage arrears. A total of 75,900 people have not received their wages on time. Wage arrears and cutting back on the number of working hours and days of operation at the factories could provoke social unrest.

a factory in Slonim paid its employees wages not in roubles, but in sour cream

On 8 June the workers of Maladechna plant producing steelworks organised a strike because they had not received wages for two months. A couple of days after the strike the workers received their wages, but the plant still has a number of other debts

to contend with, and its future prospects are dim.

Another instance of social arrest unfolded at a milk-processing factory in Slonim that paid wages not in roubles, but in sour cream. One of the most successful Belarusian enterprises, lingerie-producing Milavitsa had to cut its working days from 5 to 3 days a week with a corresponding cuts in wages.

The difficult situation facing the labour market may be one of the reasons that convinced Lukashenka that he should move to hold the presidential election a month earlier. The situation in the economy is getting worse and worse every day, and even one month could make a big difference. Still there is life after the elections, and the government has a difficult problem to solve – how to restructure the inefficient state-owned enterprises without causing widespread social unrest?

Motoveló, Prakapenia and Reforms

It is not clear precisely what to do with the state-owned enterprises, but the government bodies responsible for the economy understand quite well what the private sector needs. At the end of May, the Council of Ministers approved a draft of a new directive to support entrepreneurship. The directive excludes unnecessary intrusions by the government into market matters, separates the functions of the state as a regulator and as an owner, and proposes other steps to make competition fair for both state and private firms.

But at the same time the government continues to use the old methods of “regulating” economic problems. After the loud, and still unresolved, [arrest of an IT entrepreneur and investor Viktor Prakapenia](#), the authorities have nationalised Motoveló, a plant producing bicycles and motorcycles, and have arrested its owners.

The privatisation of Motoveló was not done in a transparent

manner, and the new owners, as it turns out, have violated the investment agreement, decreasing the number of employees it has substantially and did not bother to develop the capacities of the plant. While the nationalisation move may be legitimate, it certainly does not send a positive signal to any potential investors.

Exchange Rate Liberalisation

The National Bank, which has made several important steps towards macroeconomic stabilisation this year, has decided to further liberalise the exchange rate market. On the 1 June official exchange rates were formed through continuous order matching, a procedure that allows for direct trades between buyers and sellers matched by a price as explained in more detail below.



Before 1 June the Belarusian rouble was floating freely technically (the National Bank declared did not influence the exchange rate and only smoothed out the fluctuations).

While the trends seen here with the exchange rates reflects a balance of supply and demand, the National Bank has determined the size of permissible change. With the new mechanism the market will completely determine the exchange rate, although the National Bank still reserves the right to take part in market operations.

The introduction of this new mechanism coincided with the sharp depreciation of the Russian rouble. As Belarusian economy remains heavily dependent on Russia, after the switch to a floating currency regime, the Belarusian rouble fluctuated together with the Russian rouble. And as the Russian rouble depreciated almost 10 per cent over the week, the Belarusian currency followed.

In June the rouble once more hit a historical low, almost reaching 15,500 per US\$1, which will have consequences for rouble deposits (they tend to go down as the rouble depreciates) and for the banking system as a whole.

Clearly, next year will pose many challenges to the Belarusian economy. But the government should not forget about long-run growth when trying to save the economy from its short-term malaise. At the end of the day inefficient state enterprises would have to shed some of its excessively large labour, and the government should soften the blow by offering employment programmes to the unemployed, not by printing money in order to provide loans to the plants and factories.

The aggressive attitude towards investors also is coming at an inopportune time. And while the National Bank, under the new leadership, takes important steps towards macroeconomic stabilisation, it is not up only to the National Bank to undertake reforms.

Kateryna Bornukova

This article is a part of a joint project between Belarus Digest and the Belarusian Economic Research and Outreach Centre (BEROC)

Economy Finally Troubling Belarusians More Than Ukraine

Belarusians are really beginning to worry about their domestic state of economic affairs more than Ukraine as of late.

This is the main result of a December 2014 poll from the

Independent Institute of Socio-Economic and Political Studies (IISEPS) published in early January.

The number of people favouring a pro-European orientation for the country and supporting Ukraine in its conflict with Russia has increased after almost a year of falling. The same was the case with the approval rating of [Alexander Lukashenka](#): it fell after nine months of growing.

The tough economic situation in Belarus that followed the economic crisis in Russia partially explains these developments. A relative calm in fighting in Ukraine also contributed to this shift in public opinion.

However, the public's dissatisfaction, leading up to the 2015-presidential campaign, will hardly shake the foundations of the political regime. And yet, Alexander Lukashenka's nerves in the wake of the elections and his potential clumsy measures to manually fix the economy may destabilise the situation even further.

Belarusians Turn to West Again

The first set of the December IISEPS poll results, indicating this important shift in Belarusian public opinion, included views on foreign policy and the [Ukrainian crisis](#).

Following the annexation of Crimea, the beginning of the war in Eastern Ukraine and a new wave of pro-Kremlin propaganda, between 55% to 70% of Belarusians (depending on the question) have supported the official Russian stance on the Ukrainian crisis.

Moreover, in March, July and September 2014 IISEPS polls showed a [serious decline in pro-European sentiments](#) among Belarusians. Society was disappointed by the West's policy towards Ukraine as they saw it from how [Russian media portrayed it](#). Two thirds claimed their attitude to the

European Union worsened during 2014.

December was the first month in a year when the popularity of the "pro-Russian replies" such as the justness of Crimea's annexation, support for Russian-backed separatists, a desire to unite with Russia, and a refusal to join the EU if it were proposed all went down by 3-6% on average.

Accordingly, support for Ukrainian territorial integrity, viewing the Crimean events as an illegal annexation, a preference for European integration over a union with Russia – went up by the same 3-6% margin. Belarusians holding these views still constitute a minority, but now it is a growing one.

Several factors explain this new trend. First of all, Belarusians have recovered from the psycho-informational shock after a war burst out in their neighbourhood. People have become more rational in analysing the events in Ukraine. The truce in Eastern Ukraine and, hence, the less aggressive TV coverage of the conflict also contributed to this "cooling off" in society.

The economic crisis in Russia, especially when it [started to spread to](#) the Belarusian economy, has also made some Belarusians reconsider their geopolitical views. It is one thing to support Russia's swift and "cordial" takeover of Crimea, and another thing altogether to pay the price for aggression committed by your neighbour.

Refrigerator Beats the TV-set

After Vladimir's Putin soaring approval rate started to go down in Russia from 87% some joked that, at long last, the refrigerator has started to win the battle against the TV-set in Russian minds. In other words, Russians have begun to value their well-being and shrinking incomes more than abstract geopolitical achievements promoted by TV propaganda. The December IISEPS poll revealed the same trend in Belarus in

relation to Lukashenka's rating.



On the graph above are Lukashenka's first climbs in popularity from around 20% as the country recovered from the devastating financial crisis of 2011. It rises to 42.7% in September of 2013. Then the GDP and salaries stop growing and his support level starts to decline once more, but then suddenly – a sharp climb upwards back to 45% unfolds, despite the fact that incomes have not increased.

Sociologists from IISEPS explained this anomaly as a result of the Ukrainian factor. Namely, Belarusians compared their own lives with those of Ukrainians and started to value stability and peace more than economic prosperity and, naturally, supported the head of state who has managed to protect them from these and other unpleasantries.

However, seeing as Ukraine has fallen out of many people daily concerns, their concern for their own economic well-being has taken over. In other words, Lukashenka has exhausted his ability to gain popularity from the Ukrainian conflict.

It is important to note that IISEPS carried out its poll in the beginning of December – before panic on the Belarusian currency market and nearly [a 40% devaluation](#) of the Belarusian currency took place. This means that by now, the middle of January 2015, Lukashenka's ratings have almost certainly dropped even lower.

Generally, the ups and downs of popular support of a leader have been commonplace in Belarus. But today, roughly ten months before the next presidential election is set to take place, a decline in popularity is only beginning. Considering the state of Belarus' and its main donor's (Russia) economy, some experts, including Radio Free Europe analyst [Valer Karbalevich](#), believe political stability in the country is clearly under threat

A country arrives at election year in a state of socio-economic turbulence. Intrigue returns to the presidential election. Welcome instability!

Prospects for Political Turbulence

However, the foreseeable public disappointment in the economy has few chances of leading to a serious political or protest movement.

First of all, to challenge the authoritarian regime one needs a viable political alternative to it. The Belarusian opposition that is showing for the 2015 elections probably in the worst shape it has ever been. According to IISEPS data, the public's trust towards all oppositional parties combined remains stable, but low – 16%. The most popular opposition leaders enjoy only 2-3.5% electoral support.

[The political unification talks](#) among seven of the most viable opposition organisations failed in November 2014. Figures who are considering making a run at the presidency in 2015 ([Anatol Liabedzka](#), [Uladzimir Niakliaeu](#) and others) have found themselves in a very difficult conceptual gridlock. Having no resources to obtain free and fair elections they have to count on street protests as a last resort. But Belarusian society has taken a strong anti-revolution vaccine as a result of the Ukrainian revolution and how it was reflected in both Russian and Belarusian state-controlled media.

[The economic crisis](#) that Belarus has been undergoing since December 2014 has become an additional obstacle for Lukashenka's opponents, though it might sound illogical at first glance.

With limited possibilities of getting substantial Russian economic support, the Belarusian authorities are expected to bet not on political carrots (raising salaries in an election year) as is their custom, but on sticks – more repression and

preventive actions to deter possible protests.

The atmosphere of the [2015 presidential elections](#) will most likely differ from that of 2010, when nine alternative candidates [could freely campaign](#), meet with the voters and debate in a live show on state TV.

In December, Belarus' parliament swiftly adopted amendments to the laws on media that complicate the work of online media. A recent [wave of blocking](#) independent web sites was another sign of this tightening-the-screws trend.

Still, it appears to be too early to bury all intrigue. Psychologically, coming to the elections without traditional big bag of bailout cash, is an issue of much concern for Alexander Lukashenka. Faced these new conditions, he may resort to some radical economic measures to bring everything back under control. This may well have its own unpredictable political ramifications.

The Russian Contagion Spreads to Belarus – Belarus Economy Digest

Belarus's GDP growth managed to strengthen in November. But despite this, many signals about an upcoming downturn have appeared. The Russian economic contagion began to spread to Belarus through trade and informational channels.

The government reacted by introducing a de-facto 30% devaluation that was accomplished in a rather 'creative' manner. But this decision seems to be more like a short-term

relaxation than anything else, while further adjustments have become inevitable.

Real Economy: Output Strengthened, Prospects Worsened

In November, the growth rate for Belarus's output increased and reached 1.7% (standing at 1.5% in four previous months). However, the marked improvement in the dynamics surrounding the GDP dynamics will not become a sustainable trend.

First of all, this acceleration in November was mainly due oil-refining and the production of potash fertilisers. Both these and other industries associated with natural resources have utilised roughly all their available capacities. So, further output spurts by these industries is highly unlikely.

Second, a majority of other industries demonstrated either stable or negative dynamics with regards to their output. Output in non-manufacturing industries – construction, agriculture, trade, transport and communications – did not exhibit any substantial change. In manufacturing, there are some positive movements peculiar mainly to smaller industries, whose contribution to GDP is negligible.

Large industries – those that manufacture food products, non-metallic mineral products, basic metals, electrical equipment, transport vehicles – saw their performance worsen in November. A slowdown in these industries deepened, and at the same time a majority of them faced a growing volume of finished products inventories.

These negative trends mirror poor domestic and external demand. Domestic consumer demand is weakening because of stagnating real wages (see Figure 1). A majority of firms have to freeze or to cut wages in order to enhance their competitiveness.

Domestic investment demand is developing in a rather chaotic manner. In previous months it seemed to revive on a backdrop of lowering interest rates and government's stimulation. However, in November this trend was reversed and a slowdown in capital investments began to be visible. The latter seems to be associated with the deterioration in business' expectations and confidence.

Furthermore, many firms suffer from the ablation of working capital, which restricts their possibilities and propensity to finance investments through their own funds. Finally, banks tightened their credit supply in the current uncertain environment with its corresponding growing risks.

The external environment is the largest headache for Belarusian producers. Only businesses associated with natural resources (oil products, potash fertilisers, etc.) can rely on a stable level of demand. Other firms that operate on competitive markets are in state of perplexity.

The majority of Belarusian exporters produce capital goods for the Russian market. For their part, Russian agents have radically cut their investment expenses, given the start of the recession and the poor prospects of the Russian economy. Thus, new orders for Belarusian goods have dropped substantially.

problems with settlements on the supplies have already taken place

Furthermore, there are signals that problems with settlements on the supplies have already taken place. For instance, in November incoming export payments decreased significantly in comparison both to October 2014 and November 2013. Moreover, external overdue debtor indebtedness seems to have begun to rise. Hence, there is a danger of massive payment defaults, which may further hamper the solvency of Belarusian enterprises.

In December, new challenges became visible for Belarusian producers. First, the signs of recession in Russia became more and more evident. Hence, the challenges of contracting demand and progressing instances of non-payment might have proliferated. Second, the mix of political and economic considerations pushed the Russian authorities to initiate a new “trade-war” with Belarus.

the statistics for December (when available) will record a huge drop in exports and revenues from Russia

They accused Belarus of supplying prohibited goods from Western countries to Russia. Later this accusation transformed into a ban on the export of Belarusian meat and some other food products to Russia, which was formally listed as being due sanitary safety considerations. Hence, one may expect that the statistics for December (when available) will record a huge drop in exports and revenues from Russia. These hardships are directly affected by the currency market in December, which has become a first victim of the Russian spreading economic contagion.

Monetary Environment: Belarus Tries to Resist the Russian Currency Crisis

The contracting capacity of Russian markets developed alongside the gradually lowering price competitiveness of Belarusian producers. Until recently, the Belarusian authorities preferred to ignore the substantial appreciation of Belarusian ruble vs. Russian ruble, justifying it through considerations of their own domestic financial stability. This led to huge losses in the real price competitiveness of Belarusian producers on the Russian market (by roughly 30% in comparison to an average level of 2013 and the beginning of 2014, see Figure 2).

In a broad sense, one may argue that already in December a huge fraction of Belarusian firms have become uncompetitive on

Russian markets.



Besides through trade channels, the Russian financial contagion began to spread via informational channels as well. Expectations of an inevitable depreciation followed. Correspondingly, Belarusian households and firms increased their demand for hard currency.

For instance, November has become the first month of the year when households became a pure purchaser of hard currency (some purchases on a net basis took place also in May, but it was close to zero). Furthermore, many households changed the currency of their deposits to US dollar (or other hard currencies besides the Belarusian ruble). This led to a quick depletion of international reserves (in November official international reserves shrank by USD 204m and total international reserves shrank by USD 460m).

Belarusian households began buying of hard currency in a panic

In December, the currency panic in Russia (15-16 December) strengthened these 'pure contagion' channels. Belarusian households began buying of hard currency in a panic (according to the unofficial statements of the authorities, households purchased several hundred million dollars during four days). Finally, the Belarusian authorities were forced to react.

On the one hand, they intended to avoid the rapid depreciation or a one-shot devaluation, because they fear that such policy measures may become a trigger for a inducing mass panic on the deposits market. On the other hand, they were not ready to sell off a huge part of their international reserves.

On 19 December they decided to introduce a 30% commission for purchasing hard currency for all agents. Later on, they devaluated official exchange rate by roughly 10% and reduced the commission down to 20%. These measures mitigated the panic

at the currency market somehow, but they have not solved their fundamental problems.

In fact, by taking these measures the authorities reserved some more time to think about their future policies and wait for more certainty vis-a-vis the Russian economy and the Russian currency market. However, the choices available to the authorities has seen a sharp narrowing.

The de-facto devaluation of the Belarusian ruble by 30% is still far from its equilibrium level. Hence, they should either depreciate the ruble further to a significant degree, or radically adjust domestic demand (i.e. sacrifice output dynamics and real wages), or finance any further disequilibrium with new borrowing.

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This article is a part of a joint project between Belarus Digest and Belarusian Economic Research and Outreach Center (BEROC)

Belarus Reinstates Customs Control on the Border with Russia: the End of the Eurasian Union?

The new food war between Belarus and Russia may signal the end the Eurasian Economic Union. In early December Belarus and Russia unofficially resumed customs control on the border, which led to Belarus responding to a Russian imposed embargo

against Belarusian meat and dairy products.

The food war shows that the Eurasian Economic Union, expecting to officially launch on 1 January 2015, will be primarily a political project despite its name. Trade wars will remain the norm in relations between the two countries, in violation of numerous international agreements concluded between Belarus and Russia.

The New Economic War

Over the last decade, [economic trade wars](#) have been an important feature of relations between Russia and Belarus. They affect trade in various sectors – from milk and sugar producers to oil traders and airlines. These wars include conflicts over energy supply deliveries to Belarus that exploded in 2004, 2006, 2007 and 2010. In 2009, Russia banned the import of Belarusian dairy products.

The new food war will be less visible in the media than for instance the [Uralkali and Belaruskali's](#) divorce, but can still significantly undermine the basis of regional economic integration. Although officially Minsk denies it, multiple reports suggest that in early December the Belarusian authorities resumed customs control on the border with Russia.

Now customs are functioning on both sides of the border

Now customs are functioning on both sides of the border which will have a negative impact on trade between the two countries. Some trucks spend up to eight hours at customs on the border, which Belarus and Russia previously eliminated back in 2011 by creating the [Customs Union](#).

The Belarusian authorities say that they reinstated border control to help Russians identify goods which remain under Russia's sanctions. However, the recently imposed customs control has all the appearances of being a response to the

food war launched by the Kremlin on 24 November. Then Russia has imposed an embargo on the importation of goods for nine Belarusian meat processing plants.

Since then, the number of Belarusian enterprises that fell under the Russian ban increased to 23. Russia also checks trucks sent from Belarus through Russia to Kazakhstan and other countries for potential banned goods secretly destined for Russia.

During the first five days of monitoring the border, the Belarusian authorities initiated three administrative investigations on the export of goods from Belarus to Russia and 15 more for imports from Russia to Belarus.

The recent iteration of the trade war was very costly to Belarus. According to the government's estimates, Belarus lost \$160m during the first five days of the embargo alone, a sizeable hit for a small economy. [Alexander Lukashenka](#) said that 'the Russian authorities' behaviour was not just surprising, but dispiriting. Indeed, their actions threatened to dismantle all of the agreements on the Customs Union'.

The government conducts negotiations with their Russian counterparts almost daily, but so far these talks have failed. On 10 December, Belarusian senior official [Siarhiej Rumas](#) announced that both parties agreed to solve the crisis during a meeting of the Eurasian Economic Commission, but time will show when the embargo will be actually lifted.

What the Kremlin Said and What It Means

Russia has two official complaints against Belarus.

First, Russia has declared that Belarusian meat and dairy products contain antibiotics, salmonella and listeria and are therefore dangerous for consumption. The Phytosanitary Service of Russia linked this with the purchase of cheap raw materials from Canada.

Secondly, Russia accused Belarus of [smuggling Western goods](#) into the country which are subject to sanctions. Officially these goods are in transit from Belarus to Kazakhstan through Russian territory, but in practise they end up in Russia. Russia is now forcing trucks with goods are headed to Kazakhstan to pass through checkpoints on the Russian border.

The true motives of the Kremlin's policy remain obscure

In practise, Russia lacks legal grounds for imposing these kind of sanctions Belarus. Russia's border checks alone cannot confirm the purportedly dangerous nature of Belarusian goods. The requirement that the products coming from Belarus to Kazakhstan through the territory of Russia should pass through border controls is also a flagrant violation of the terms of the Customs Union. Therefore, Lukashenka's [recent statement](#) that "we are not puppies to be taken up by the scruff of the neck" is not without merit.

The true motives of the Kremlin's policy remain obscure. Minsk-based financial analyst [Siarhiej Čaly](#) cites several potential reasons: to demonstrate that Russian sanctions against the EU agricultural sector are working, to protect their own producers and improve the trade balance or simply just to punish Lukashenka for making money on Russia's problems. Whatever the logic of the actions, the latest trade war succeeded in reaching these goals.

Are Countries Dropping the Eurasian Economic Union?

The Belarusian authorities believed that the Customs Union could deprive Russia of the means to carry out this kind of low-level economic warfare. But at the beginning of the conflict, the Kremlin basically ignored the rules of the Customs Union. Officially the Federal Service for Supervision of Consumer Rights Protection, not the authorities themselves, began inspecting shipments on the Belarusian-Russian border. The Kremlin often uses this institution as a political tool to

conduct trade wars.

Meanwhile, the Belarusian authorities are trying to fix their own economic problems. Deputy Prime Minister [Mikhail Rusy](#) proposed to establish a unified supervisory institution, as he explained 'not to have to constantly prove that I'm not bald'. While the countries have the same safety standards, they have not yet created a single certificate that would eliminate these kinds of issues.

However, even the patching up of gaps in the legislation of each country cannot guarantee their peaceful economic coexistence. The treaty establishing the Eurasian Economic Community is silent with regards to any possible sanctions for violating the rules of the economic union. Therefore it is not surprising if countries will continue to break the rules in the future.

For Belarus, this conflict is even more painful because of the shrinking market of the Eurasian Economic Community. The economic crisis in Russia [reduces imports](#) from Belarus and has led to the Belarusian ruble's further devaluation.

Belarusians joined the Eurasian Economic Union to become richer. Now as Russia is itself struggling economically because of falling oil prices many wonder whether Belarus made the right strategic choice.

Belarusian Economy Sinks to Uncertainty – Belarus Economy

Digest

Belarus displayed modest but stable growth during past couple of months.

However, future prospects for growth remain uncertain, given the deteriorating economic situation in Russia along with the desire of the authorities to carry out several growth stimulating policies.

Moreover, there are questions with respect to both the exchange rate and interest rate policy that the authorities cannot decide how to deal with the issues.

Output: Sluggish growth stayed put, but its further path is uncertain

During last four months Belarusian economy performs modest and extremely stable growth rate on annual basis – 1.5%. In terms of business cycle, it means that Belarusian economy is still reviving, although the power of this revival is fading away (see Figure 1).



Two factors lay behind these developments. On the one hand, a recent revival of capital investment, a huge expansion in potash fertilisers exports and bitumen mixtures, and less demand on intermediary non-energy imports are all pushing the economy to grow. From the production side, these trends have resulted in confident and strengthening growth in both mining and quarrying, as well as chemical production. This all goes to show that growth actually stems from a very limited number of industries.

On the other hand, weakening consumption growth and a deteriorating external environment have become serious obstacles for growth. At present real wages are stagnating.

This new trend has become more or less established as the government gives up on artificially stimulating wages (given the serious challenges with price competitiveness that Belarusian producers face).

The influence of Russian economic problems

Moreover, labour migration dropped as well, largely due to declining wages in Russia – which is the main destination for labour migration – in US dollar terms. Frozen wages began to drive household consumption down. For instance in October, retail turnover recorded growth of just 1.7% in annual terms, while it grew by 13.1% and 9.0% in the first and second quarters of 2014 correspondingly. By the end of the year household consumption growth is will continue to decline and is unlikely to be a source of growth in the near future.

Furthermore, the quickly deteriorating economic situation in Russia is turning into a major issue for the Belarusian economy. According to the available data, there are signs that in October Belarusian producers began to have some problems with sending their goods for export to Russian markets.

These problems are twofold. First, contracting demand in Russia hit Belarusian producers as well as other competitors on Russia's markets. Second, a sharp decrease in price competitiveness for Belarusian producers on Russian markets also unfolded in October.

Russian ruble depreciated enormously against the US dollar in October, while Belarusian ruble kept on modest rate of depreciation vs. dollar. Hence, in real terms Belarusian ruble appreciated to Russian ruble in October by 6.6%, and by 17.6% since the beginning of the year. These figures display the scale of price competitiveness reduction for Belarusian producers (see Figure 2), which restricts their exports.

A more expensive Belarusian ruble (vs. the Russian ruble) also triggered a boost in the demand for imports from Belarus's

eastern neighbour. The prices in Russia in dollar terms turned out to become much cheaper for Belarusians in comparison to the domestic market, especially for durable and capital goods.

The combination of growth of promotion and the growth of restrictive factors has created a large amount of uncertainty. This uncertainty alone presents a challenge for the economy. In such an environment many economic agents shift their behaviour to be conservative in tone – they postpone planned investments and purchases of durable goods and/or refrain from new plans until more clarity and certainty about the economic situation is apparent.

In this respect, the government should raise confidence levels by offering reliable response to the crisis. However, the new external environment seems to have completely preoccupied the Belarusian authorities, as they still have not elaborated a clear response. During the last couple of weeks different officials have stated radically different positions in respect to the exchange rate, interest rate, fiscal and wage policy. This forms a threat not only to production dynamics, but also to financial markets.

Monetary Environment: Threats to financial stability are accruing

The National bank of Belarus is trying to keep the USD/BYR exchange rate roughly stable to suppress inflation and lower devaluation expectations. At the same time, it needs to provide at least a stable level of price competitiveness for exporters, especially on the Russian market.

A modest depreciation and stable price competitiveness may co-exist when Belarusian and Russian rates of depreciation against the US dollar are closer to each other (or even if the Belarusian one is more significant). In this case, a stable USD/BYR exchange rate is going to be in line with domestic expectations, while a generally stable (or depreciating)

RUB/BYR exchange rate is going to provide accessible level of price competitiveness on the Russian market for Belarusian companies.

Given the sharp depreciation of Russian ruble over last two months, the National Bank had to sacrifice one of its priorities. It preferred to provide a stable USD/BYR rate in order to prevent a new wave of deposit outflows and/or deposit dollarization. A sharp appreciation in the real exchange rate vs. Russian ruble has become another element that (see Figure 2).



However, the current policy mix might not offer up a sufficient solution. External imbalances are likely to progress, which reduces the credibility of the National Bank's exchange rate policy. Further deposit dollarization is the standard response by Belarusian households in these circumstances.

According to preliminary data, the process of changing the currency of deposits was restored in October and rapidly expanded in November. Hence, the policy of modest depreciation against the US dollar is failing in respect to both priorities: the fragility of domestic financial market is growing, while external price competitiveness has been dampened.

A good solution for the National Bank assumes that the Russian ruble will stabilise shortly against the US dollar, or even appreciate somehow, compensating for its all too rapid depreciation. In this case, the National Bank can 'catch up' with the Russian ruble in several months time by holding a modest depreciation rate against the US dollar.

However, the Russian ruble is continuing to depreciate due to dropping oil prices. To make matters worse, oil prices may not have reached rock bottom yet. At the same time, reducing the credibility of Belarus's monetary policy requires new incentives for mitigating deposit dollarization. This would mean that they would have to raise interest rates. But the latter will restrict output growth despite the desire of the

authorities to stimulate it.

As such, a huge degree of uncertainty in respect to future path of the economy and the government's policy was a major characteristic of the Belarusian economy in November.

Dzmitry Kruk

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Toilet Paper-free Sausage, Journalists Fined, Potential Russian Pork Ban – Western Press Digest

The Belarusian economy received the brunt of the Western press' attention in October. Belarus is apparently looking to continue exporting sanctioned EU foodstuffs to Russia, while Russia is trying to stop it from entering the country. The IMF is still very sceptical about Belarus's economic situation and is not willing to provide it any financial support without serious reforms.

Lukashenka spoke to journalists and voiced his concerns about Russia's behaviour towards Ukraine, while a freelance journalist was fined for writing about the illicit food trade on the Belarusian-Russian border. Dozens of Belarusian and Ukrainian football fans were detained by police after a match where they sang a famous inflammatory song about Vladimir

Putin.

Lukashenka assured reporters that Belarusian sausage was not cutting corners with any hidden additives in their products, unlike their Russian counterparts. All of this and more in this edition of the Western Press Digest.

Economy

[Czech Business Heading for Belarus](#) – Czech trade with Belarus has grown 167% over the past 5 years and is a leading destination for Czech business reports the Prague Post, referencing a local business newspaper article. Belarus has invested substantial sums into improving its infrastructure which has gone a long way in attracting Czech business to it. Czech exports are mainly technology related and include machinery, computer technology and equipment for telecommunications and other technology or transportation related goods.

Czech firms find that their Belarusian counterparts are prompt in making payments and it is easier to do business with them than, for example, Ukraine. Several large projects, including a hydro-electric station in Grodno, have been completed by Czech firms with encouraging results. A bid to build a third line for the Minsk underground was recently made by a Czech company, a sign of their continued interest working inside of Belarus as well.

[Russia Tightening Control Over Belarusian Food Imports](#) – Reuters reports that a dispute is brewing between Customs Union members as Russia looks to enforce its sanctions on EU food product imports. The imports under question are not destined for Russia, but Kazakhstan. Russia is said to want all food imports that travel through its territory and are destined for Kazakhstan to be inspected by their own customs service.

Speaking to Russian news agency RIA Novosti, Head of Federal Service for Veterinary and Phytosanitary Surveillance Sergey Dankvert said that food products that are going through Belarusian territory are being re-labeled to hide their EU point of origin. Pork originating in Belarus may be banned as well according to Dankvert. Russian officials are concerned about an outbreak of African swine fever in Belarus.

[Belarus Needs to Implement Structural Reforms if it Wants IMF Loans](#) – Additional external financing from the IMF is very unlikely without serious reforms being carried out according to the International Business Times. The IMF says that a 20% inflation rate and high wage growth remain a symptom of poor policymaking on the part of the Belarusian government. While some basic steps have been taken by the authorities in Minsk, no serious structural reforms appear to be underway, including privatisation. With Belarus's trade balance set to worsen once more, its economy is in for a rough times ahead.

International Relations

[Belarus Growing More Concerned about Russia](#) – In a blog for the Wall Street Journal, journalist Nick Shchetko says Belarus is starting to become a little more guarded in its relationship with Russia. Quoting recent comments that Aliaksandr Lukashenka made during a 5 hour long conversation with journalists, Shchetko notes that Lukashenka has been critical of Moscow's behaviour towards Ukraine, but been careful not to step over the line.

Lukashenka, the blog states, is being particularly mindful of next year's presidential election as he looks to prolong his rule over the eastern European country. In closing his talk with the journalists he issued a veiled statement to intellectuals using crude language, reminding them to remember where they come from and apparently placing some of the blame on the relatively low level of development in the country on them.

Civil Rights

[Belarusian and Ukrainian Football Fans Detained at Match in Belarus](#) – Dozens of Belarusian and Ukrainian football fans were arrested after a match between their national teams in the Belarusian city of Borisov. Newsweek reports that the fans were singing a famous song in the region that mocks Russian President Vladimir Putin. The fans also shouted out Belarusian and Ukrainian nationalistic chants together.

Police state that 41 fans were arrested on charges of "mild hooliganism" or "drinking in a public place", though a local independent newspaper said that more than 100 individuals were detained. At the time of the report, 12 Belarus fans had already been released after paying a fine.

[DW Reporter Fined €500 by Belarusian Court](#) – Several recent cases against journalists writing for foreign media have been popping up in Belarus. DW reports that the official reason for these fines being leveled against the reports often has to do with their not receiving the proper accreditation, a notoriously difficult process in Belarus which the OSCE has criticised. The freelance Belarusian Alexander Burakov was fined for the "illegal generation of a product for the mass media."

Burakov wrote a story for DW's Russian-language service on how food traders were managing to get around Russia's import ban on foodstuffs of EU origin. Before the case began, the accreditation issue was mentioned before the hearing began by the presiding judge. Another journalist was fined €400 by a Belarusian court. The fine is apparently in connection with a report they made for Polish radio.

Other

[Belarusian Sausage: Made without Toilet Paper](#) – Radio Free Europe/Radio Liberty reports that Belarus's charismatic head of state cleared the air with Russian reporters on the quality

of Belarusian sausage. Lukashenka said that unlike Russia, Belarus had maintained a high level of food inspection and quality since it gained independence from the Soviet Union. Russian food producers, however, have been known to have "toilet paper, soy, all kinds of additives". RFE/RL notes that both toilet paper and sausage were in low supply at the end of the Soviet era.

Devin Ackles

Oil in the Eurasian Economic Union, Poroshenko, the Language – Digest of Belarusian Analytics

Belarusian and foreign analysts examine Belarus' peace efforts, the role of oil in the Eurasian Economic Union, challenges of post-Soviet education and other topics.

[Belarus and the Eurasian Economic Union: Only about Oil?](#) – The German Economic Team Belarus (GET Belarus) analyses the benefits of Belarus' participation in the Eurasian Economic Union in its first English-language newsletter.

The experts believe that the main benefit for Belarus is related to the oil trade with Russia, which is of high importance to the country. In 2015, Belarus will be able to keep half of the export duties on oil products in the country (USD 1.5 bn, or 2% of GDP). In the past, Russia received the entire amount.

[Belarus' Peace Effort and a Likely Response of the West](#) –

Grigori Ioffe breaks down positive and negative implications of the August 26th Minsk summit devoted to the crisis in Ukraine. The summit signifies Minsk's slow but steady progress in its relations with Europe, according to the author. He argues that current geopolitical situation will allow Belarus to achieve a true breakthrough.

[Lukashenko and Poroshenko: Friends of Convenience? The BELL No. 3\(45\)](#) –

Authors of the latest issue of *The BELL* analyse the implications of the new developments in Belarus-Ukraine relationship. In the first article, Yauhen Krasulin argues that these relations are based on self-interest and were to be expected, countering the popular notion that the rapport between Lukashenko and Maidan-promoted leaders signals a change of course by Minsk. In the second article, Aliaksandr Aleshka reviews the benefits of Belarus-Ukraine strategic cooperation.

[Belarusians and Solidarity: Potential is There, but That's Nothing to Do with Me](#) –

Belarusian Journal examines whether Belarusians are a cohesive nation; how to raise the level of solidarity in the Belarusian society; whether international solidarity is important for civil society in Belarus. The article was written to support the civil society and political prisoners in Belarus.

[Belarusians try out a new language: their own](#) –

Christian Science Monitor analyses signs of revival of the Belarusian language. After the years of being overshadowed by Russia and the Russian language, Belarusians are keen on learning their native language to assert their country's identity and culture apart from neighbouring Russia. For many young people speaking Belarusian became cool. Lukashenko himself raised eyebrows when he gave a rare speech in Belarusian in July, close to the date of Belarus' Independence Day, which some analysts felt was a political signal.

[If you want to be a millionaire, go to Belarus.](#)

Opendemocracy.org offers a grim overview of life in Belarus. According to the article, if you want to return to the Soviet Union – just go to Belarus. Service is terrible, living standards low, internet access restricted, civil society non-existent – but there is an incomparable feeling of safety and serene calm; and lots of excellent vodka and good tasty food to go with it. What more could anyone want?

[Twenty Years in the Making. Understanding the Difficulty for Change in Belarus.](#)

The article of Tatsiana Kulakevich in *East European Politics & Societies* analyzes the dynamic of pro-democracy protests in Belarus through the prism of social movements literature and such concepts as framing, political opportunity, and mobilising structures. It argues that weakness of the mobilising structures and framing processes at times when political opportunities presented themselves in Belarus resulted in an absence of large-scale protests and a failure to sustain the development of social movements in the country. At the same time, Belarus cannot be considered as being in a static or retrogressive state since transnational flows characteristic of a globalising world have exposed people to wider flows of information, providing them with counterframes and resulting in a modest growth in the numbers of protesters and a change in the preferences of the Belarusian population.

[The modern university as an imagined community: European dreams and Belarusian realities.](#)

The article of Mark Johnson and Pavel Tereshkovich explores various aspects of modern Belarusian national identity through an analysis of two connected case studies, the development of the flagship national university, Belarusian State University (BSU) in Minsk and of the European Humanities University (EHU), a private institution founded in Minsk in 1992 with international funding. EHU was then forced into exile by the Belarusian regime in 2004, and has operated since that time in

nearby Vilnius, Lithuania. It highlights various dimensions of Belarusian national identity, from a neo-Soviet and authoritarian populism, to a more primordial or organic conception of nationalism, to a more European and cosmopolitan ethos of liberal education.

[Freedom of associations and status of non-commercial organisations](#) in Belarus for the second quarter of 2014 is released by the NGO Assembly and Lawtrend. Authors argue that legislative changes pertaining to registration of NGOs could have become the main factor of positive trends. They conclude, however, that the actual conditions for new organisations' registration did not change substantially. Monitoring includes the list of new registered organisations, among which sports non-profits are still the majority.

[80% of Belarusians Do not Know How the State Budget is Made and Spent](#) – BIPART project concluded based on the results of the latest IISEPS poll conducted in June 2014. Regionally, the highest awareness is represented by the residents of Mogilev (27%) and Gomel (31.2%). Only 10.2% of Minsk residents said they knew how the Belarusian budget is used. According to the poll, this information is either unavailable, unclear, or just uninteresting for Belarusian citizens.

Sanctions as New Opportunity, Less State Support for the Economy – Belarus Economy

Digest

The National Bank continues to gradually reduce its refinancing rate. The latest reduction, which occurred in August 2014, may help make receiving financing for legal entities easier.

And yet, despite their best intentions, these steps contribute to the accumulation of macroeconomic imbalances in the country.

An analysis of the pros and cons have forced the Belarusian authorities to come up with an agreement that will normalise trade relations with Ukraine. The possibility of a real deterioration in their mutual trade relations has encouraged the officials in Minsk to push for the removal of all announced limitations imposed on Ukraine.

The introduction of food sanctions by Russia provides Belarus with a chance to accumulate foreign currency through bolstering its exports. Conversely, these developments come the risk of rising prices and food deficits on domestic market go up as well.

The existing imbalances in the economy force the authorities to reduce the amount of state support they provide and to change how it is doled out among its enterprises.

Changes in refinancing rate

In the middle of August the National Bank of Belarus (NBB) reduced its refinancing rate by 0.5 percentage points. Thus, beginning August 13, the rate will be set at 20.0%. Favourable tendencies in the monetary arena are the official reason behind the Bank's decision to reduce the rate. They have appeared in the form of a growing influx of ruble deposits from households alongside an excess currency supply in July.

A decrease in its refinancing rate will lead to a decline in the rates on ruble deposits and loans and will likely stimulate growth of demand for currency deposits. In general, these reduction measures raise concerns about growing inflation.

In January-June it was held at 19.8% and there are no reasons to expect a slowdown in the rates' growth in the near future. The potential for further inflation, combined with a decline in deposit rates and devaluation expectations, may affect the volatility of the national currency and decrease demand for it.



Decreased probability of a trade war with Ukraine

From the middle of August Belarus and Ukraine stopped using restrictive trade measures against one another. Ukraine agreed to stop collecting duties on Belarusian beer, tires, confectionary and dairy products imposed, duties that were imposed in the middle of July as a response to similar Belarusian actions. For its part, Belarus has decided to abolish restrictive instruments like licencing requirements for its Ukrainian partners.

The Ukraine-Belarus trade conflict developed after Belarus imposed licencing on beer, confectionary products, pasta and their operating supplies from outside the Customs Union and required a set minimum price level in exchange for the acquisition of a licence to be sold in Belarus.

Counter measures from the Ukrainian side forced Belarus to re-evaluate the pros and cons of a potential trade war, especially when considering the fact that Ukraine remains one its most important trading partners (one of the largest recipients of oil products exported from Belarus) and around 10% of Belarusian exports goes there.

New opportunities on the Russian market

At the beginning of August Russia imposed a ban on the importation of a range of foodstuffs from the EU and USA, which was a response to the sanctions previously introduced by the West against Russia. The restricted goods include beef, pork, poultry, fruits and vegetables, dairy and other products. This is one-year embargo opens up a number of new opportunities for Belarusian producers.

Russia introduced the sanction without negotiating with either Belarus or Kazakhstan despite the fact that they officially have equal rights as members in the Customs Union with Russia. Belarus and Kazakhstan [refused to support the sanctions](#).

Despite Belarus' unwillingness to introduce the same sanctions in Belarus, Alexander Lukashenko agreed to protect the Russian market from re-exports of western products and at the same time requested that domestic producers raise their export production volumes in order to improve Belarus' overall trade balance. However, there are certain risks associated with raising the level of food exports, including a food deficit and rising prices in Belarus.

On the other hand, by bringing the conflict to an end and returning to normalised trade relations with Ukraine, Belarus has new opportunities in terms of its increasing its volume of exports to Russia. Belarus also has a chance to accumulate additional volumes of raw agricultural products which previously went directly to Russia.

Under these new conditions Belarus could potentially reprocess them, as well as other European food products, and send them on to the Russian market afterwards. At the moment it is unclear whether Russia will actually attempt to block these supplies or, quite the opposite, will hold a favourable opinion of Belarus' new potential role.

Industry subsidies instead of individual support

The Belarusian authorities are preparing to introduce a new instrument to stimulate growth with the state's support. According to a resolution of the Council of Ministers, the new rules of the game call for a shift from individual support to industrial subsidies.

This essentially means that only strategically important state, sectoral and regional programmes will receive state support on a competitive basis. It also assumes that enterprises of all types of ownership will have equal rights and access to these financial resources.

Given the importance of the new policy for the country's economic growth, the potential for the efficient usage of the state's support and the rate of return will be the main keys to securing financing.

These changes will also affect the agricultural sector. According to Alexander Lukashenka, infrastructure, improvements in land resource management and general melioration will be the main targets of the government programme. As for agricultural enterprises, again, only strategically important projects, especially those associated with exports, will receive these special privileges.

Thanks to this process of optimisation, the total reduction in number of programmes of state financing in 2014 will amount to BYR 3.7 billion in savings. The reform, if executed, will force state enterprises to change their usual way of doing business and think about ways to improve their performance and increase their efficiency.

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This article is a part of a joint project between Belarus Digest and Belarusian Economic Research and Outreach Center (BEROC)

Belarus in World Rankings: Strong Potential, Weak Performance

The most well-known international indexes show that Belarus is maintaining the potential of its people, although its governance, economy, political and economic freedoms remain at a very low level.

Belarus has had a rather good showing in the UNDP Human Development Index, the Legatum Prosperity Index and the Ease of Doing Business Index.

But the results of Economic Freedom Index, Press Freedom Index, Freedom House Index, Global Peace Index, Corruption Perception Index and Sovereign Credit Rating are nothing short of disastrous. In some of them, Belarus finds itself in close company with Third World countries.

Compared to other countries in the region, Belarus usually finds itself ranked above Ukraine or Russia, but lower than Poland, Lithuania and Latvia.

Below, we compare Belarus' current standing in the world rankings with those of 2010, when Belarus Digest [first collected](#) all available ranking data in one article.

Rankings in Which Belarus Had a Good Showing



According to the **UNDP Human Development Index**, Belarus is a country that enjoys a high level of human development. Belarus occupies the 50th place, with Croatia ranking 47 and

recognised as a country with a very high level of development.

This index takes into account life expectancy, education level, and GDP. Belarus looks better than Russia (55th place) and Ukraine (78th position), but is worse off than Poland (39th), Lithuania (41st), and Latvia (44th). Notably, Belarus has actually improved its position since 2010.

The **Legatum Prosperity Index**, which measures wellbeing and satisfaction with one's life, ranked Belarus 58th while placing Russia at 61st, Ukraine at 64th, Lithuania at 43rd, Latvia at 48th and Poland, with the highest score in the sample, at 34th. All of these countries belong to a single group consisting of nations ranked in an upper-middle range. The Index demonstrates that Belarus has great educational and social capital, while its overall governance and economy are still in bad shape. According to these results, Belarus has moved up in the rankings since 2010.

Belarus occupies the 63rd place in the Ease of Doing Business Index. World Bank Group admits that people can easily start a business, register property or enforce contracts in Belarus, however it remains difficult to pay taxes or obtain a credit. As is in the case of the Human Development Index, Belarus is doing better than Russia and Ukraine, but worse than its neighbours from the European Union. Belarus has worsened its position since 2010.

Rankings in Which Belarus did not Fair Well

☒ According to the **Economic Freedom Index**, Belarus remains a country with a mostly unfree economy and finds itself in the rankings inbetween Nepal and Ethiopia.

Belarus has severe issues with the rule of law, as well as monetary, investment, and financial freedoms. The Heritage Foundation and the The Wall Street Journal placed Belarus at 150th and Ukraine at 155th, both abysmally low rankings when it comes to overall economic freedom.

All the rest of Belarus' neighbours appear to have more economic freedom. When compared to the results from previous ratings, Belarus has more or less retained its previous position in the index, acquiring only a few more points. In 2010, Belarus sat at 48.7 and was able to climb slightly up to 50.1 in 2014.

According to Freedom House's criteria, Belarus is an unfree country. Russia has approximately the same ranking, while Ukraine appears to be partly free. According to the 'Freedom in the World 2014' report, Poland, Lithuania, and Latvia are free countries. Belarus retained its previous position and has the same freedom rating as China.

Reporters without Borders show that **freedom of the press in Belarus** (157th place) is on a par with that in Swaziland (156th position) and Pakistan (158th rank). Ukraine occupies the 127th slot and the Russian Federation comes in at 148th place. While Belarus has improved its position since 2010, its EU-member neighbours make its ranking look all the more deplorable as Poland achieved 19th place in the rankings, and Lithuania and Latvia placed 32nd and 37th, respectively.

The Institute for Economics and Peace, one of the Economist's analytical centres, measures the peacefulness of 162 countries. Its **Global Peace Index** utilises three main criteria: the level of safety and security in society, the extent of domestic or international conflict, and the degree of a nation's militarisation. Again, here Belarus has gained some ground since 2010. In the global standings, Belarus found itself ranked 92nd, routinely doing better than either Russia or Ukraine, but worse than its neighbours from the European Union.

☒ Transparency International regularly evaluates countries' **perception of the level of corruption** and this time around Belarus found itself ranked 123rd, the same as the Dominican Republic, Guatemala and Togo.

According to expert estimates, Belarus has improved its position since 2010 and remains less corrupt than Russia (127th position) and Ukraine (144th position), but performs poorly when compared to Poland (38th), Lithuania (43th), and Latvia (49th).

Sovereign credit rating is considered by foreign investors an assessment of the investments made in the economy of a particular country. Standard & Poor's assessed Belarus' local currency rating, foreign currency rating, transferability and convertability to all be a B-. Unfortunately, in this index, Belarus has seen its position to have fallen considerably since 2010.

Where Belarus Gains and Losses

When [Compared to 2010](#), Belarus improved its position in the Human Development Index, Legatum Prosperity Index, Press Freedom Index, Global Peace Index and Perception of Corruption Index. This is evidence that quality of life remains one of the primary tasks that the authorities work on, as they see economic stability as a means to legitimise their rule.

Belarus retained its previous position in the Economic Freedom Index and Freedom House Index, which shows that Lukashenka's regime is still opposed to political and economic freedom.

Belarus' position in the Ease of Doing Business Index and Sovereign credit rating has worsened since 2010 for a number of reasons. Namely, the authorities have failed to implement a successful economic growth policy and do not see business development as a way out of their ongoing economic crisis.

It should be noted that despite these positive indicators in some of the indexes, Belarus' ascent in the rankings in some studies may also be linked to the worsening of other countries' positions, or to changes in research methodology. The same logic may apply to the worsening of some of Belarus' positions.

At any rate, the rankings show that Belarus has great potential, but in the end continues to suffer from inefficient governance.