

# Ostrogorski Forum 2017, Civil Bologna Committee, security cooperation – Ostrogorski Centre digest

In May 2017, analysts at the Ostrogorski Centre discussed why the authorities continue to arrest Belarus's top businessmen, who benefits from the alcoholisation of Belarus, and how Belarus can maintain security cooperation with both Russia and the West.

The Centre is preparing a conference entitled 'Belarus in the new environment: challenges to foreign policy, security, and identity after 2014', to be held on 19 June. The conference will promote the development of professional and respectful dialogue between experts with different political views.

We have also added the Civil Bologna Committee as a new partner of the [BelarusPolicy.com](http://BelarusPolicy.com) database. From now on we will be adding papers on problems with compliance to European standards faced by Belarusian higher education.

## Analytics

Vadzim Smok discusses why the authorities [continue to arrest](#) Belarus's top businessmen. Being close to Lukashenka is by no means a guarantee of safety for oligarchs, and many prefer to register their companies and reside abroad. Those who cannot do so must demonstrate their support for the authorities in various ways and never make a misstep.

As the Belarusian state system is dominated by the security services, they spend their time and resources over-zealously

pursuing white-collar criminals rather than improving the business environment in the country. This causes serious damage to the investment climate. In the absence of strong rule of law, large businesses continue to depend on patronage networks and informal arrangements with the country's leadership.

Alesia Rudnik analyses [who is benefiting from the alcoholisation](#) of Belarus. Belarus is perhaps the world's second booziest nation. Meanwhile, alcohol prices are considerably lower than in neighbouring western countries. Despite the government's attempt to set up a programme for prevention of alcoholism and rehabilitation of alcoholics, Belarus has so far failed to combat heavy drinking.

Moreover, alcohol prices tend to decrease right before elections or during economic crises. Cheap alcohol in Belarus has become a tool to neutralise activism and numb national consciousness. By decreasing alcohol prices, authorities guarantee themselves more loyalty and support.



Siarhei Bohdan argues that Belarus can [maintain security cooperation](#) with both Russia and the West. It would behove the Belarusian government to build a more balanced and neutral policy by establishing more diversified partnerships in the security realm. At the same time, Minsk realises the sensitiveness of this issue for Moscow, and agrees to what is most important to the Russian leadership, such as the forthcoming *West-2017* exercises.

This, however, does not mean that the Kremlin can dictate whatever it wants. On the contrary, Belarus is reshaping its

national security policies and can still persuade Russia to help it with military equipment.

## Ostrogorski Forum 2017

On 19 June, the Ostrogorski Centre plans to hold a conference entitled [‘Belarus in the new environment: challenges to foreign policy, security, and identity after 2014’](#). It will focus on three aspects: foreign policy, security, and identity.

The conference will promote the development of professional and respectful dialogue between experts with different political views. Each panel will include speakers from both pro-government and independent communities, with journalists of leading Belarusian mass media sources as moderators.

The conference will be broadcast live. Videos from the conference will be forwarded to stakeholders, including state bodies, media, and civil society organisations. Videos from the 2016 Ostrogorski Forum are [available here](#). To register for the 2017 Forum, please fill in [this form](#).

## Comments in the media

Alesia Rudnik discusses the opposition and pro-government [youth organisations in Belarus](#) on Polish radio. The number of members of youth organisations in both camps remains a mystery due to their unclear institutional structures. Many people are members only formally. Belarusians do not actively express their civil position, and in this regard young people are no different from the rest of the population. This poses a significant problem for Belarusian civil society.

Siarhei Bohdan argues that maintaining good relations with Kiev is [strategically important for the Belarusian government](#)

on Polish radio. Belarus seeks to increase trade with Ukraine and is establishing cooperation in various fields: energy (oil supply, electricity), border issues, and military projects (helicopters, missile technology). This proves that there is mutual understanding between Minsk and Kiev and even a tacit alliance at the highest level.



On Polish radio, Igar Gubarevich discusses the [effect of Lukashenka's press conference](#) on Chinese journalists. The Belarusian leader organised the event because he is concerned with the low level of Belarusian exports to China and the

lack of progress with the Belarusian-Chinese technology park. After the conference, Chinese journalists will prepare pieces for the national and regional media, but this will hardly have any influence on the Chinese leadership.

Ryhor Astapenia discusses on Polish radio why Minsk is [keen to develop relations](#) with China. Alexander Lukashenka has repeatedly said that China is one of the poles of global politics, along with the US and Russia. Of these three poles, only China does not conditionalise its relations with political demands. China is ready to cooperate with Minsk on economic and political issues without demanding democratisation or recognition of the Crimea annexation.

On Radio Liberty, Yaraslau Kryvoi discusses how the results of the first round of presidential elections in France [were perceived in the UK](#). Many Brexit supporters see the very likely victory of Macron as a bad sign. On the other hand, they understand that Macron is a pragmatist and will put pragmatic interests above ideology. Traditionally, France is much more interested in its former colonies, and French policy towards Belarus will not change significantly under the new

president.

# Belarus Policy

The Ostrogorski Centre continues to update its database of policy papers on BelarusPolicy.com. The papers of partner institutions added this month include:

[Implementation of the Roadmap requirements in the draft Code of Education.](#) Belarusian Independent Bologna Committee, 2017.

[4th Monitoring Report on Implementation of Belarus Roadmap for Higher Education Reform \(Oct 2016-Jan 2017\).](#) Belarusian Independent Bologna Committee, 2017.

Yana Ustsinenka. [The analysis of reforming higher education policy in Belarus in the period from 2010 to 2016.](#) BIPART, 2017.

Dzmitry Kruk. [Monetary policy and financial stability in Belarus: current state, challenges and prospects.](#) BEROC, 2017.

Uladzimir Paplyka, Halina Kasheuskaya. [Public procurement from a single source in the Republic of Belarus: analysis and recommendations.](#) BIPART, 2017.

Think tanks in Belarus are encouraged to submit their research for inclusion into the database by [emailing us](#).

*The Ostrogorski Centre is a private, non-profit organisation dedicated to analysis and policy advocacy on problems which Belarus faces in its transition to market economy and the rule of law. Its projects include Belarus Digest, [the Journal of Belarusian Studies](#), [BelarusPolicy.com](#), [BelarusProfile.com](#) and [Ostro.by](#).*

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# **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 descent 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

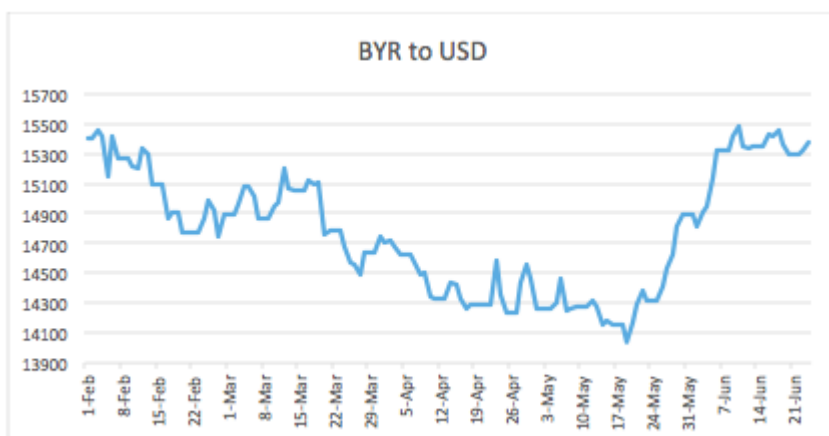


its owners.

The privatisation of Motovelo 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)*

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# Museum Fair, Internet for Activists, SocStarter – Belarus Civil Society Digest

In this issue of Belarus Civil Society Digest: demands for a special amnesty on the occasion of the ice hockey championship, training for social activists, competition for bike-friendly companies, discussions of Belarus investment possibilities and transparency of university budgets.

The digest also covers several recent cultural initiatives, including Museum Fair, festivals of Hrusauka and of Belarusian advertising and communication.

## Civil Society and the State

[Appeal for special amnesty on IHWC occasion](#). On the occasion of the Ice Hockey World Championship, the human rights organisation *Libereco – Partnership for Human Rights* demands a special amnesty from Belarusian president Lukashenka for the release of all political prisoners. Another appeal has been launched by representatives of international and national human rights organisations which call the concerned States [to refrain from sending official government delegations to participate in the events](#) related to the Championship. One more statement named [Belarus Must Play Fair, in Sports and Beyond](#) calls on Belarus' leaders and citizens to take decisive steps towards making Belarus an open and democratic country.

[Legal Transformation Center Lawtrend continues its activities on researching an access to government online](#). On April

28, Lawtrend conducted a round table to discuss the methodology and results of the last year monitoring of 45 governmental websites. The event was attended by about 20 representatives of government organizations, including the Council of Ministers, the Ministry of Communication and Information, the Ministry of Defense, state committees, etc

[Memorandum of Partnership Alliance signed](#). On April 23, in Minsk, six CSOs signed a Memorandum of Partnership "Alliance" – the initiative *Europerspectiva*, Institute of History and Culture, Lastovsky History Society, International Association of Environmentalists, the initiative Sober Life, analytical project Belarus Security Blog. The mission of the new coalition is to increase public control over the decision-making and implementation processes at the state level, to achieve real changes in the Belarusian society, etc.

## **Social activism**

[Contest of small deeds Let's Make it Better 2014](#). The Assembly of pro-Democratic NGOs continues its campaign *Let's Make it Better!* and announces a new contest of positive ideas. Any CSO which is a member of the Assembly is invited to participate in the campaign aimed at revitalization of society through involvement of citizens in solving local issues. The application deadline is June 15.

[Internet for activists. Basics Manual](#). The Assembly of pro-Democratic NGOs prepared a second edition of the manual, which aims to help civil society activists to find their way in the world of modern technology and adapt it to their needs. The manual is help CSOs to talk about their activities for a wide range of people, promptly inform and educate the public about important issues and offer solutions, find new activists, etc. The book is available in various formats.

[SocStarter training program launches its 2nd season](#). From May till July 2014, the 2nd season of SocStarter offers 10 social

initiatives the chance to get a full training with the goal to enable to start their own social enterprise. SocStarter is an International Social Entrepreneurship Training Program organized by SocialWeekend.by, Maesens.by, Bel.Biz, UNESCO Clubs. The program invites to the participation teams (from two people) who want to implement social business in Belarus.

[Competition for bike-friendly companies](#). Minsk Bicycle Society and Center for Environmental Solutions launched a competition *Business Bike* among bike-friendly companies. The contest covers Minsk and Grodno and will identify an organization, that develops internal cycling infrastructure and support staff using bikes. [The website of the competition](#) describes the rules and criteria of the winner's selection, as well as suggests useful tips for managers who want to make an active lifestyle as part of a corporate policy.□

## **Conferences and Roundtables**

[Panel on investment possibilities in Belarus](#). On April 22, in Minsk, analytical community Liberal Club organized a panel discussion [Is it possible to do business in Belarus?](#) The discussion raised such issues as success factors for foreign and Belarusian investors, the examples of business projects developing in Belarus despite or because of ambiguous investment reputation of the country, etc. Among the speakers were Pavel Daneiko, the Belarusian Economic Research and Education Center (BEROC), Mikhail Borozdin, Investment Consulting Company, Daniel Krutzinna, International consulting company Civitta.

[International conference on protection of children](#). On April 23-24, Minsk hosted the 5th International Conference *Safe Belarus and CIS Region for Children*. The results achieved in the countries of the Commonwealth of Independent States were thoroughly discussed as well as practical recommendations in

the field of law, treatment, training and education were worked out. Master-classes and presentations of the speakers answered the question HOW to PROTECT children and PREVENT child abuse. The organizer of the Conference is the International *Ponimanie* NGO.

**Discussion on transparent budgets of universities.** On April 24, at the Minsk Gallery Ź, Analytical Laboratory of Development Center of Student Initiatives held a discussion titled as of *Making transparent budgets of Belarusian universities!* During the discussion, **a new campaign of student organizations on transparency Belarusian universities** was presented. The discussion was attended by representatives of the research project BIPART, public Bologna Committee, Association of Belarusian Students (ZBS), Studentskaya Rada/ Student Council.

## **Cultural events**

**Local Hrushauka Festival** took place on May 1, in Minsk. The Festival became the first ever local community collaboration in one of the Minsk districts. The event was initiated by a private person and facilitated by a crowd-funding platform Talaka.by. Hand in hand with inhabitants of the district the Festival was joined by some organized groups – Youth union Falanster, CPM independent project, Center for Environmental Solutions and some others. The Festival had a big rotation of people to come and to leave according to varied day-long programme and gathered up to 1000 visitors.

**Art-Siadziba says goodbye to the premises with a big concert.** On April 25, Art-Siadziba held a farewell concert party Solidarity with Art-Siadziba, headliner was NRM band. The concert had a charity nature – all the musicians performed for free, and the money will go to purchase of own premises. On May 1, Art-Siadziba should release its current office – the fifth one for the last two years. Meanwhile, the total amount of funds raised on the new office already exceeds \$7,100 out

of 200 thousand dollars needed.

[Museum Fair.](#) On May 15, the cultural campaign *Budzma* conducts *Museum Fair* dedicated to new, relevant ways to expand the audience of museums and modern models of working with visitors. Special attention will be given to projects that not only stimulate scientific and educational activities of the museum, but also take into account the needs of today's Belarusian society. Both professionals and amateurs are invited to participate. Professionals in the museum field will assess the project ideas.

[AD.NAK! launched for the fifth time.](#) On April 22, the Fifth Festival of Belarusian Advertising and Communication AD.NAK! was launched with a press-conference. The Festival is traditionally presented in a new concept, namely *Think globally – Act locally!* The current Festival promotes the idea of the high value of the local communications that can be developed via the new modern formats. The final awards ceremony will be held on June 27 in Minsk. The initiator of the Festival is the campaign *Budzma*.□

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

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# Belarus Investment Climate



# After Spartak and Kommunarka

According to Doing Business 2013, Belarus is now on the highest level in its history. It occupies the 58th place out of 185 countries. Last year the World Bank named it among the quickest reformers on the way to the “Ease of doing business” goal.

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

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

## **Spartak and Kommunarka: Start of An Unexpected Journey**

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

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

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

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

### **State Machine at Work**

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

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

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

Commenting on the State Property Committee's claims, Belarusian economic analyst Yaraslau Ramanchuk says that the

new figures of the companies' value in the early 90s claimed by the state rely on contemporary investments' amounts and costs of stock. In the economist's opinion, that is a rude violation of basic principles of economy and law.

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

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

### **Unlucky Big Businesses in Belarus**

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

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

In 2002 McDonald's had to close one of its most profitable restaurants in Belarus, because the Belarusian State University started construction of a new building on the restaurant's land plot. The fact that Minsk State Executive Committee had previously leased the land to McDonald's till

2036 did not prevent the closure.

In January 2011 Belarus took administrative control over a huge furniture joint stock company "Pinskdrev" although it did not own any shares there. In a few months after Pinskdrev, state officials made one of the main stockholders and the director of a Belarusian big tile and sanitary engineering company Keramin to vacate his position. After his retirement, state's share in Keramin increased from 3% to 57%.

### **Seeking Justice**

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

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

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

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

It is possible that after investors start to use their rights and initiate international proceedings against Belarus the situation will improve. This way the government will learn

that it can be held accountable for its mistreatment of investors.

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## **Towards Authoritarian Capitalism in Belarus?**

Despite the dark clouds of political repressions Western businesses still express interest in doing business in Belarus. Recent evidence of that is an event in Minsk organized by the Ministry of Economics called “Belarus Capital Markets Day”. Apparently, Belarus authorities want to look serious with their privatization plans.

Deutsche Bank, London Stock Exchange and reputable advisory firms were among the sponsors of the event. The event’s purpose was to educate the largest Belarusian state-owned enterprises such as MAZ, Mozyr Oil Refinery and Belarusbank about international capital markets.

That practical event was preceded by a more theoretical one. Just a few days after the election day crackdown, deputy minister of economics opened an academic conference in Minsk hosted by the Belarusian Economic Research and Outreach Center (BEROC). BEROC is a Belarusian economics think tanks which tries to attract Belarusians working abroad and international scholars to share their knowledge. The initiative belongs to Aleh Tsyvinski and Mikhail Golosov, Yale University professors who left Belarus in their mid 20s to study in the United States.

It is fortunate that Belarus starts opening up, perhaps because of economic pressures from the East and West. But while being so focused on the economics side Belarus

authorities often neglect the legal side. No matter how efficient their economic policies are, investors are unlikely to pay a fair price for Belarus property if legal instability will persist in the country.

In countries with established rule of law, it takes many months if not years for a law to be passed. In Belarus, it may take just one day for the President to sign a decree which can override any other law, not to mention a contract. Such decrees can completely change the applicable tax regime, or even expropriate assets of a particular company. Moreover, such decrees occasionally have [retroactive effect](#). Such emergency law making may be good in wartime but not in times of stability. In addition, the Belarus courts do not have reputation of being particularly independent even in matters which are far from politics.

As a result, when serious investors are coming to the country, they have to price in these legal risks in addition to political risks. Therefore, Belarus authorities should not be surprised when foreign investors are ready to pay very modest amounts for Belarus assets. For many of them it just an interesting new lottery with a very uncertain win.

Legal stability, respect of private property and independence of courts does not necessarily come hand in hand with liberal democracy. According to the World Bank, Singapore for many years is the country with the most business-friendly environment. But at the same time political freedoms and human rights are very limited. The country's regime is often dubbed as "Authoritarian Capitalism" but it still attracts one of the highest foreign direct investments per capita in the world.

Foreign investors have little doubt that Belarus is authoritarian, but convincing that there is capitalism will be a more difficult task.

YK