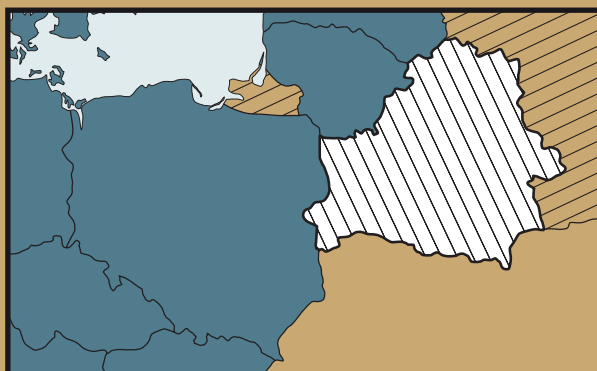


**OŚRODEK STUDIÓW WSCHODNICH**  
**Centre for Eastern Studies**

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**REPORT**

**BELARUS 2006**



WARSAW JANUARY 2007

# **BELARUS 2006**

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## EXECUTIVE SUMMARY

1. After the presidential election in March 2006, Alyaksandr Lukashenka strengthened his position on the internal political scene. He managed to keep full control over the ruling camp and to prevent any possible tendencies for it to disintegrate. Due to internal divisions and the lack of a clear strategy of action, the opposition has failed to consolidate the popularity it had gained before the election. Currently, the dominant mood among the public is that of passive acceptance of the situation. As a result, no internal factors really threaten President Lukashenka's rule.
2. Developing Belarus' relations with Russia is the greatest political challenge faced by the Belarusian president. Moscow has been insistently pressing Belarus to comply with its economic and political demands (concerning energy co-operation and the integration of the two states respectively). If put into practice, these demands would seriously undermine Alyaksandr Lukashenka's political position, and limit Belarus' independence in Russia's favour. Even though it is unlikely that radical changes will occur in the two countries' relations in the immediate future, it seems quite possible that within the next few years Belarus will become more dependent on Russia, and President Lukashenka's political position will gradually be eroded.
3. Responding to the developments in Belarus (more repression and continued political self-isolation), the countries of the EU and NATO have stepped up criticism of the Belarusian government (and even imposed some limited sanctions). They have also intensified measures to support the Belarusian society (through assistance for civil society organisations and independent media).
4. The Belarusian economy is in a relatively good condition. However, since it depends heavily on external players, especially Russia, the foundations of economic growth are not sustainable. As Russia has progressively limited the subsidisation of the Belarusian economy by withdrawing from its commitments to supply cheap energy resources and trade preferences, this may bring about a deterioration of the economic situation in the short term.
5. Currently no internal factors exist that could trigger changes within the next few years. Change (of whatever nature) might potentially be initiated by Russia's assertive policy towards Minsk. If economic support is reduced and the Russian capital takes over the key industry sectors in Belarus, this will undermine Alyaksandr Lukashenka's political position, which in turn may bring about changes in the political and economic system.

## INTRODUCTION

The presidential election of 19 March 2006, which Alyaksandr Lukashenka won, played an important role in developing the dictatorial political regime in Belarus. In order to ensure Lukashenka's victory, the authorities employed repressive and undemocratic methods, which since then have become permanent elements of the political system in Belarus. They included legal and administrative measures to limit the citizens' freedom, arbitrary ways of applying these measures, actions by the state security institutions intended to intimidate the public, a large-scale state propaganda campaign, and restrictions on civil liberties and freedom of speech. The presidential election strengthened Alyaksandr Lukashenka's political position, as the president extended his rule by another five years to 2011. It also reinforced the repression apparatus, consolidated the ruling group and ensured that the democrats remained marginalised. This has ensured the stability of the Belarusian regime and preserved the country's specific political and economic system.

This report aims to present the situation in Belarus since the presidential election in March 2006. Part I, devoted to the internal situation, is a description of the internal political scene, i.e. the ruling camp and the opposition. It also includes a section on the prevailing moods in Belarusian society. Another section presents the economic situation in Belarus and the government's economic policy.

Part II examines the foreign relations of Belarus, and consists of two sections: the first describes the Belarusian government's relations with Russia, its single most important foreign partner, and the second its relations with Western countries, i.e. the EU member states and NATO countries. Finally, the last part contains predictions of future developments in Belarus.

# I. THE INTERNAL SITUATION

## 1. The ruling camp

### 1.1. The government and the presidential election

#### The 2006 presidential election

The presidential election in March 2006<sup>1</sup> was fully controlled by the Belarusian authorities. Even though the opposition had consolidated and the coalition of United Democratic Forces had nominated Alyaksandr Milinkevich<sup>2</sup> as its single candidate, the opposition could not challenge the incumbent president's position at any point. According to the official results, Alyaksandr Lukashenka received 82.6% of the votes, while the showings of the remaining candidates were as follows: 6% for Alyaksandr Milinkevich, 3.5% for Syarhey Haydukevich and 2.3% for Alyaksandr Kazulin. The turnout was 92.6%.

#### After the election; the authorities versus the public

The opposition protests that followed the ballot did not challenge the government's position, either, even though they involved relatively large numbers of demonstrators; the largest demonstration even brought together around 20 thousand people. The security services managed to isolate the demonstrators, who had gathered around a tent village set up in the main square of Minsk on 19-24 March, from the rest of the public. Due to the information blockade, only a small number of people in Belarus were aware of the opposition's activities. This was one of the reasons why the protests did not engage wider sections of the Belarusian society and had limited reach. Most demonstrations were staged in Minsk, but isolated pickets also took place in Vitebsk and Hrodna.

Since the election, the Belarusian regime has continued to implement a policy of repression against its opponents. Having eliminated the independent media before the 2006 presidential election, the authorities are now mainly targeting the opposition parties and politicians as well as non-governmental organisations.

The Belarusian authorities' tactic is to carry out methodical actions against individual communities and groups (for example, liquidating specific organisations or media companies, etc.), rather than launching a massive attack against the entire opposition (for example, by banning all opposition parties or carrying out massive arrests of the leaders). The objective is to avoid uncontrollable negative reactions of the public in Belarus and excessive international criticism.

Attention should be paid to the gradual change in the nature of the instruments of repression which the authorities are using against the opposition. Whereas until around 2004 the authorities had not hesitated to use violence (brutally suppressing demonstrations, abducting and beating opposition activists and independent journalists), at present they are much more frequently using administrative and legal measures to sanction repression (by banning organisations or detaining activists under long-term sentences, among other measures).

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<sup>1</sup> Early voting started on 12 March and the principal ballot date was Sunday 19 March 2006.

<sup>2</sup> As well as Milinkevich, another presidential candidate was Alyaksandr Kazulin, leader of the Belarusian Social Democratic Party (Hramada) which did not join the coalition of United Democratic Forces. In his campaign, Kazulin spoke out against President Lukashenka, but at the same time criticised Alyaksandr Milinkevich (see Section 2, *The Opposition*, for more information on the relations between Milinkevich and Kazulin).

## 1.2. Political divisions in the ruling group

### The system of *nomenklatura* groups

The absence of a political party representing the ruling camp is a specific feature of the system of power in Belarus. President Lukashenka chose not to create a political party through which to exercise his power, as has been done in the other authoritarian regimes in the former USSR<sup>3</sup>. His rule is founded on an army of executive administration officials and security service officers. The government, parliament and other state bodies are composed of officials, not politicians.

The Belarusian ruling camp is not uniform; it is divided into several informal *nomenklatura* interest groups. These have formed in the overlapping domains of the executive administration (the so-called 'vertical system' of power), business circles and secret services.

While competing among themselves, these groups remain loyal to President Lukashenka and take no action against him. The behaviour of the Belarusian *nomenklatura* during the period of the 2006 election, when it fully backed the incumbent president, may serve as evidence of this<sup>4</sup>.

The political system in Belarus, of which Alyaksandr Lukashenka is the guarantor, provides the ruling *nomenklatura* with multiple privileges and allows it to derive major benefits from the exercise of power, which is the main reason why its members support the president. The pressure exerted on state officials by the state security institutions subordinated to the President is another factor that plays a role in this support.

The *nomenklatura* groups compete for influence in the structures of government and for control over the different decision-making domains in the state, sources of financing (they obtain funding by acquiring control of different sectors of the economy and state-owned businesses) and the state security institutions (which serve as instruments to protect their own interests and combat their rivals). President Lukashenka's support is essential in achieving these objectives.

The balance of power changes quite frequently as a result of Lukashenka's reshuffles. However, during his rule there have always been between two and four strong informal groups in his circle, dividing influence in the state among themselves, as well as several smaller groups or individuals.

### Dynamics of change in 2004–2006

The current arrangement of *nomenklatura* groups is the result of internal processes which started in late 2004. At that time, influential officials who appeared to have links to the Russian secret services or Russian centres of influence were dismissed, including the then head of the Presidential Administration Ural Latypau and the head of the KGB Leanid Yerin<sup>5</sup>. The president also carried out some purges, especially in the KGB, which was considered to be under powerful Russian sway. Alyaksandr Lukashenka was increasingly concerned about excessive Russian influence in the Belarusian ruling camp because of the growing tension and disagreements in dialogues with Moscow.

<sup>3</sup> Individual political parties that support Lukashenka, such as the Communist Party of Belarus or the Liberal Democratic Party of Belarus, which officially claims to be opposition but in reality is pro-Lukashenka (and thus part of the so-called 'systemic opposition'), only play a marginal role in the political system and cannot be regarded as ruling parties.

<sup>4</sup> Uladzimir Hancharyk, leader of the state-sponsored Federation of Trade Unions, was the main opposition candidate during the previous presidential election in 2001. A few other members of the *nomenklatura* tried to run in the elections and contest Lukashenka's position, including Mikhail Marynich, Leanid Sinitsyn, Leanid Kaluhin, Mikhail Lavonov or Natalia Masherova (who chose to back Lukashenka at the last moment).

<sup>5</sup> Before 1989, Ural Latypau worked in Moscow; he was also a lecturer at the KGB university in Minsk. Leanid Yerin was the FSB chief in the Moscow district until 1995.

In 2004-2005, the ruling camp was dominated by two competing groups, one led by the then-prosecutor general Viktor Sheyman and the other by Anatol Tozik, chairman of the State Control Committee (KGK)<sup>6</sup>.

Anatol Tozik's group started to take shape after the constitutional referendum in 1996. In 2004, Tozik himself gained a very strong position in the state apparatus, and was even considered to be the second most powerful person in Belarus after the president. People from his group gained much influence, especially in the business circles, and took control over economic processes in Belarus. Prime Minister Syarhey Sidorsky was one of the people associated with Tozik. This allowed the 'Tozik group' to gain some influence over the appointments of directors to state-run enterprises. As head of the KGK, Tozik was also able to control financial flows and oversee the activities of state-owned companies. In 2004, he struck a tactical alliance with Ural Latypau, who was one of the key individuals in the Belarusian establishment until the end of that year<sup>7</sup>. It was on Latypau's recommendation and with Tozik's support that Syarhey Martynau was appointed as foreign minister<sup>8</sup>. The Tozik group also included Uladzimir Syamashka, the then energy minister, who had links to Sidorsky.

In mid-2005, the independent press started speculating that Tozik might succeed Lukashenka<sup>9</sup>. It seems that it was this kind of rumour, demonstrating Tozik's powerful position, that led to his dismissal in April 2006, following which he was sent into 'political exile' as the Belarusian ambassador to China. Behind-the-scenes manoeuvring by other nomenklatura leaders, including Viktor Sheyman in particular, might also have contributed to Tozik's dismissal<sup>10</sup>.

### The new system

The present arrangement of the *nomenklatura* emerged from the reshuffles in April 2006, most importantly from the appointment of Viktor Sheyman as the Security Council Secretary, the dismissal of Anatol Tozik, the retention of Prime Minister Syarhey Sidorsky in office and the promotion of Uladzimir Syamashka to the position of First Deputy Prime Minister in charge of the energy sector. As a result of these changes, at present there are three major *nomenklatura* groups and several influential individuals. The first comprises people associated with Viktor Sheyman. The second one is made up of people from the so-called Tozik clan (the group survived the dismissal of its leader), of which Uladzimir Syamashka aspires to be the new leader and where Prime Minister Sidorsky also plays an important role, even though his position is growing weaker. The third group consists of people associated with the Presidential Administration, in which Alyaksandr Lukashenka's eldest son Viktor and the president's foreign policy advisor Uladzimir Makei play the leading roles.

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<sup>6</sup> The State Control Committee (Kamitet Gasudarstvennogo Kontrola, KGK) is the Belarusian counterpart of Poland's Supreme Chamber of Control, but it has much wider powers; for example, it is authorised to carry out operational activities (the Financial Investigation Department, DFR KGK), and can therefore be regarded as one of the state security institutions.

<sup>7</sup> The two men have known each other since the period when they worked together at the National Security Institute in the mid-1990s.

<sup>8</sup> Pavel Latushka, the current Belarusian ambassador to Poland, is also considered to be a *protégé* of Ural Latypau.

<sup>9</sup> For example, Alyaksandr Tatarintsev, the Djem Bank director arrested by the DFR KGK in 2005, publicly accused Tozik of having attempted a coup.

<sup>10</sup> In 2004 and 2005, Sheyman made extensive efforts to have the Law on the KGK amended to restrict the Committee's competences. These efforts seem to have been designed to weaken Tozik's position.

## 2. The Opposition

### The opposition during the presidential election

Before the 2006 presidential election, a majority of the opposition groups, including political parties, non-governmental organisations and social movements, joined the coalition of United Democratic Forces (UDF). The most important members of the UDF were the Belarusian Popular Front (BNF), the United Civic Party (AHP), the Party of Communists of Belarus (PKB) and a number of non-governmental organisations<sup>11</sup>. On 2 October 2005, the UDF congress nominated the NGO activist Alyaksandr Milinkevich as its leader and election candidate. The Belarusian Social Democratic Party (Hramada) (BSDP-H) and some individual post-*nomenklatura* activists, including Mechyslau Hryb and Vasiliy Lavonau, did not join the coalition, and instead backed Alyaksandr Kazulin, a former rector of the Belarusian State University and the current leader of the BSDP-H.

The coalition and Kazulin's group conducted separate election campaigns. Milinkevich tried not to provoke the authorities with radical statements so they would not prohibit him from running in the election. His campaign mainly consisted in travelling throughout Belarus and attending semi-legal meetings with voters in markets or in front of industrial establishments<sup>12</sup>.

Kazulin adopted a more provocative campaign style; he presented himself as President Lukashenka's radical opponent<sup>13</sup> and strongly criticised the head of state. However, at the same time he discredited Milinkevich in his statements. His manner of conducting the campaign, as well as some facts in Kazulin's biography (before 2005 he belonged to the ruling camp and actively supported Lukashenka) and his less than clear political connections to some members of the Belarusian *nomenklatura* and Russian politicians, created uncertainty as to his real intentions, and made plausible the suspicion that his activities might be aimed at weakening the democratic coalition gathered around Milinkevich.

### The election; a modest success for the opposition

Even though the democratic opposition formally lost the election, it was not completely defeated in the ballot. It accomplished a few things, such as spreading information about the opposition and its programme among the public in a fairly effective election campaign; it established Alyaksandr Milinkevich as the leader of the opposition and created joint organisational structures (the election staff, a 'shadow cabinet'). It also succeeded in mobilising a substantial number of Belarusians into taking action. The number of demonstrators reached the levels of the spring of 2000, which should be considered as a sign that the opposition was slowly making up for the losses suffered in the elections in 2000, 2001, 2003 and 2004, rather than gaining any actual advantage. However, it should be noted that this time, the democratic organisations had to operate in conditions of more intensive repressions than ever before. Attracting international attention to the Belarusian issue and gaining strong support from the Western countries was another success to which the opposition contributed<sup>14</sup>.

<sup>11</sup> The coalition was also joined by smaller political groups, including the Green Party of Belarus and the European Coalition, as well as members of the social democratic parties led by Statkevich and Shushkevich who did not join the BSDP-H.

<sup>12</sup> In Belarusian conditions, opposition candidates could hardly engage in normal electioneering practices such as distributing leaflets or displaying posters. They had no access to the state media, and the authorities frequently denied them permission to organise rallies, or created difficulties in holding such meetings.

<sup>13</sup> He accused Lukashenka of political murders, an immoral lifestyle and of robbing the nation ("Sasha, gde dengi?" or "Sasha, where's the money?" was the famous question he asked during his televised address).

<sup>14</sup> The opposition leader Alyaksandr Milinkevich paid a number of visits to European countries, where he was received



## Repression after the ballot

After the presidential election, the authorities took measures to neutralise the most active opposition leaders and destroy the unity of the coalition of United Democratic Forces (UDF).

After the ballot, many opposition activists were arrested, including the leaders of Partnership, an independent ballot observer organisation; Mikola Astreyka was sentenced to 2 years and Tsimofey Dranchuk to one year. Many members of the opposition candidates' election staff and rally participants were sentenced to shorter imprisonment terms ranging from 10 days to 6 months. Alyaksandr Kazulin was sentenced to five and a half years in prison.

Increasingly severe sentences are being handed down in the political cases, which is a change compared to the situation before 2005 when the penalty usually consisted in a fine or an imprisonment term of around two weeks. More and more, people are being punished by short-term arrests for even the slightest signs of pro-opposition attitudes, such as possession of the red and white Belarusian flag unrecognised by the authorities, or of opposition leaflets, etc.

The authorities have also taken measures to eliminate political parties and social organisations. The Party of Communists of Belarus (PKB), one of the three most important groups in the UDF, faced the threat of being banned because of a schism within its ranks, probably inspired by the Belarusian secret services<sup>15</sup>. In early August, Mikola Kartash, the leader of the Green Party of Belarus, which was a member of the UDF, expressed concern that his party might be banned because it did not have a sufficient number of regional representations<sup>16</sup>.

The authorities also continue to target non-governmental organisations. For example, on 26 May 2006 the Justice Ministry lodged a motion to stop the activities of the Belarusian Helsinki Committee, one of the most important human rights organisations.

## Crisis in the opposition

Irrespective of pressure from the government, the opposition has failed to take full advantage of the modest success achieved during the election campaign. Internal divisions quickly followed the election, leading to more reshuffles within the opposition. The attempts to develop and implement a common strategy of action ended as a fiasco. Moreover, they failed to create a specific programme for political and social development that could be presented to the public as an alternative to the ruling camp's policy. As a result, after the short-lived growth of support before the presidential election, the democrats lost some of their popularity.

## Dynamics of the divisions among the opposition

After the election, the opposition leader Alyaksandr Milinkevich failed to maintain a strong political stature in the opposition, partly because of the lack of a measurable ballot success by him. This engendered tendencies to disintegrate. His rivals, especially the AHP leader Anatol Labedzka and the PKB head Syarhey Kalakin, resumed the fight for opposition leadership once the election was over.

The principal axis of the conflict runs between Milinkevich and Labedzka. After the election, the head of the AHP started to work towards replacing Milinkevich as the opposition leader. He called

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at the highest level (no member of the government has been received at this level since 1999).

<sup>15</sup> The so-called veterans group within the PKB came up with an initiative to unite with the pro-Lukashenka Communist Party of Belarus (KPB). A 'unification' congress was held on 15 July during which some PKB members joined the KPB. The KPB formally applied to the Ministry of Justice to verify the number of PKB structures. Under the laws in force, if a party has local structures in less than half of all districts, it may be banned. In September, the Ministry of Justice applied to a court to ban the PKB.

<sup>16</sup> The BEPZ, like the BNF, is backing the opposition coalition's leader Alyaksandr Milinkevich. If the BEPZ were banned, Milinkevich would find himself in a weaker position among the opposition. This may be significant in the context of the ongoing rivalry between Milinkevich and Labedzka, another opposition leader and the head of the United Civic Party, whom the PKB is starting to favour.

for a new UDF congress to be held to elect a new leader. He argued that the 2005 UDF congress only elected a candidate for the election, and that it was now necessary to establish new structures and nominate a new leader. In his statements<sup>17</sup> and actions, Labeledzka started to undermine Milinkevich's position. His suggestion that the influence of NGOs in the decision-making bodies should be limited and that political parties should have a greater say was directed against Milinkevich, who largely owes his position to the support of the non-governmental organisations which constitute an active group in the Belarusian opposition and in the BNF.

In addition, Labeledzka has started to call for a rapprochement with Alyaksandr Kazulin's BSDP-H party, which is not a UDF member. His ideas were backed by the PKB leader Syarhey Kalakin. As a result of this closer co-operation between the parties competing with Milinkevich, the AHP, PKB, BSDP-H and the outlawed Labour Party signed an agreement on 25 September 2006 to coordinate their election campaigns before the local elections. In effect, these parties have created a coalition outside the UDF's structures .

In response, Milinkevich's supporters started to restrict Labeledzka's role in the opposition structures. One of the measures taken to this end was the establishment of the UDF Political Council Secretariat on 13 July 2006, whose functions duplicate those of another opposition body, the National Committee, which is the so-called shadow cabinet led by Labeledzka. At the same time, a popular movement called 'For Freedom' ("Za svabodu") started to organise around Milinkevich, with the objective of organising civil protest actions.

Finally, the PKB leader Syarhey Kalakin came up with a proposal in September to create an Alliance of Left-Wing Forces including the PKB, BSDP-H, the Nadzeya Women's Party and the Belarusian Social Democratic Party (Hramada).

### **The arrangement of forces in the opposition**

As a result of these movements, two wings began to form within the democratic camp. The group surrounding Alyaksandr Milinkevich appears to be more consolidated. His most important supporters are the BNF and a number non-governmental and social organisations which are starting to co-operate within the framework of the 'For Freedom' campaign. In addition, Milinkevich is still backed by the remaining members of the UDF coalition, including the European Coalition and the Green Party.

The other wing is less unified. On the one hand, it includes the AHP, which promotes economic liberalism, and on the other, the left-wing groups of the communists and socialists, including in particular the PKB and BSDP-H.

The dispute within the Belarusian opposition is not limited to any political rivalry driven by the ambitions of individual leaders. The two wings differ both with respect to their political visions and programmes, and their proposed strategies for action.

The strategy of opposition activities proposed by Milinkevich is based on new methods of protest (such as street happenings and modern ways of disseminating information). The former presidential candidate prefers to decentralise the opposition bodies and create a networked structure. He also acknowledges the importance of voluntary social initiatives that are not inspired by political parties.

Milinkevich's rivals are in favour of preserving the hierarchic structure of opposition bodies, in which the political parties would play the most important role. They also prefer the Belarusian opposition's traditional methods, such as participation in election campaigns, petitions to the authorities, etc.

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<sup>17</sup> For example, on 10 October 2006 Labeledzka called Milinkevich "a democratic kommandant", accusing him of harbouring an ambition to subordinate all the opposition groups. He also said he did not consider Milinkevich to be the leader of the Belarusian opposition.

The two wings also have different visions of the position of Belarus in international relations. Milinkevich and his supporters are more pro-Western than the remaining groups in the Belarusian opposition. They are in favour of developing closer relations, or even some form of integration with the EU, while preserving relations of partnership with Russia.

Members of the other opposition wing seem to be more sceptical about projects aimed at integration with the West. The PKB and BSDP-H in particular remain pro-Russian, and support integration with Russia as long as Belarus keeps its independence.

### Consequences of the division

These internal divisions have prevented the opposition from taking any action that would allow it to overcome its isolation and marginalisation. The opposition failed to prepare an effective joint campaign before the local elections in January 2007<sup>18</sup>. While it is true that it has faced continuing pressure from the authorities and the election process was undemocratic, the election showed a considerable decrease in the opposition groups' activity. For the approximately 22,000 seats in the Local Councils, the opposition nominated only 213 candidates. It failed to organise any protests, or even carry out a sufficient number of meetings with voters.

As a result, public confidence in members of the old opposition" has declined substantially. This disappointment has bred spontaneous initiatives, especially among young people, which may influence the style and programme of the entire opposition. These initiatives have taken the form of uncoordinated activities outside the existing opposition structures. The creation of the 'tent village' in Minsk, in protest against the undemocratic presidential election in March 2006, may serve as an example of this; it was much more a voluntary initiative than an action inspired by political parties<sup>19</sup>. At present, demonstrations of this kind are sporadic and isolated, but at the same time they are more radical than the activities of the political parties<sup>20</sup>.

## 3. The society

### Characteristics of Belarusian society

Social surveys<sup>21</sup> have provided some grounds for the statement that the sense of national identity is weak among Belarusian society. Citizenship *per se* is not held in sufficiently high esteem. This is an effect of the lack of a natural platform of social solidarity that could form a basis for building horizontal bonds. Consequently, Belarusians as a society seem to feel uprooted, 'not at home', which causes uncertainty and withdrawal from public life into a private one. Hardly any other mechanism for social integration exists, apart from the vertical dependences of authority and the subordination existing therein.

Horizontal social bonds are very weak. Social expectations, if any, are addressed to the authorities, which are perceived as rather unfriendly institutions. The Belarusian citizen is disconsolate in her contacts with the authorities (at various levels) and usually feels weak, uncertain and helpless. Attempts to build horizontal social bonds that would go beyond immediate family ties have so far been very few

<sup>18</sup> The election took place between 9 and 14 January 2007.

<sup>19</sup> *Current Trends in Belarus Politics, Survey on External and Internal Factors and their Impact on Belarus Politics*, Pontis Foundation, 2006.

<sup>20</sup> *Ibid.*

<sup>21</sup> This chapter is based on results of surveys conducted by:

J. Konieczna, *Białoruś 2005 – próba diagnozy społecznej*, CES, November 2005.

The NISEPI survey results are available online at: <http://www.iisepts.org/>

PONTIS Foundation Report, *Current Trends in Belarus' Politics, Survey on External and Internal Factors and their Impact on Belarus' Politics*, Pontis Foundation, 2006.

in number, and usually unsuccessful. The ongoing process of atomisation is an effect of the dramatic experiences inherited from the Stalinist repressions, World War II and the Soviet regime. The present authoritarian regime is also responsible for keeping the society in a state of disintegration.

The existing social atomisation results in the predominance of passiveness and apathy among most of the society. It is also characteristic of Belarusian society to present a very low level of defiant sentiments and a common reluctance to behave aggressively in general. The enormous potential for adaptability of this society may also mean that it will be able to accept possible democratic changes, if only they are seen to be inevitable. However, for the time being, there are no factors to stimulate social activity towards any serious changes, which in the longer term will predominantly occur as part of an evolutionary process.

### **The public opinion of the political situation**

Events related to the presidential election in 2006 failed to change the attitudes of Belarusian society as a whole. The rapid reduction in the opposition's activity after the election and the splits inside the opposition have curbed the processes of social activation which had come into existence in connection with the opposition's election campaign. They also did not permit the growing public support for the opposition to be reaffirmed, a process which had been noticed during the election period. A survey conducted by the Independent Institute of Socio-Economic and Political Research (NISEPI) in August 2006<sup>22</sup> showed that at that time 54.9% of people would vote for Lukashenka and 25.2% would be ready to vote for another candidate.

Belarusians' reluctance to change is an effect of the commonly shared positive opinion about the economic development of their country. In the same poll, 40.8% of respondents stated that the economic condition of Belarus would improve in the immediate future, 36.3% believed it would not change, and as few as 12% said it would worsen. Peace (in various aspects, such as socio-political and private matters) is a very important value for Belarusian society. People are ready to compromise on many things to maintain peace and quiet. The aforementioned NISEPI survey results showed that 66% of respondents valued economic prosperity more than democracy, and democracy was more important than prosperity for only 22.7%).

Analysing the poll results, it can be estimated that currently about 50–60% of the society accept the existing government. The group of those unsatisfied with the present politico-economic situation in Belarus and critical of the authorities consists of about 25–35% of the population. They are predominantly young people, residents of the big cities (first of all Minsk and Grodno) and representatives of small businesses, who are the only social group independent of the state, i.e. not employed by the public sector. However, the latter are focused on defending their special group interests, and would rather not become involved in any activities of a political nature.

### **Belarus is closer to Russia than Europe**

According to independent poll results, a majority of Belarusians prefer integration with Russia. NISEPI surveys of August 2006 indicated that in a hypothetical referendum, unification with Russia would be supported by 45.4% of respondents and 34.2% would oppose it<sup>23</sup>. At the same time, 36.5% of respondents were for EU membership of Belarus and 41.3% were against it.

<sup>22</sup> NISEPI surveys; <http://www.iiseps.org/>

<sup>23</sup> To a similar question, formulated in a different way, "What kind of integration with Russia do you support?", 14% of respondents answered they supported creation of a single state, 51.7% supported a union of two independent states, and 28.7% wanted Belarus to keep the same kind of relations with Russia it kept with other CIS countries.

The underdeveloped national identity is one of the key reasons why the independence of the state is given such a low value. For 48.5% of respondents, improvement of Belarus' economic situation is more important than its independence, and 41.9% value the independence of their state higher than its economic well-being.

Public opinion polls indicate that most Belarusians want their state to remain independent, while at the same time they would like to deepen integration with Russia. This may also be an effect of development over the 15 years of independence of a certain state identity; people identify themselves with the Belarusian state (and not the nation), which is separate from its neighbours, including Russia. This type of identity appears stronger among younger generations, those who have been brought up in the Republic of Belarus which has existed since 1991.

## 4. The economic situation

### The Belarusian economic model

Since the collapse of the USSR, the Belarusian government has not undertaken any major economic reforms; instead they have preserved many elements of the centrally managed economy, including central regulation of production volume, wages and cash flows, as well as setting prices for some goods. The level of the state interventionism is rather high, which is evident for instance in the subsidisation of selected enterprises with 'recommended' credits.

According to IMF data, only 25% of the GDP<sup>24</sup> is generated by the private sector (this is the lowest ratio among all the CIS countries, except for Turkmenistan). However, in all probability, the ratio is even lower and, according to Belarusian experts' estimates<sup>25</sup> it is actually about 12% of the GDP. The domination of the state in the economy enables President Lukashenko to control the economic and political processes taking place in the country and counteract the development of any independent centres that could become his political competitors.

### Economic growth questioned

The Belarusian economy has shown relatively good macroeconomic indicators over recent years; in the second quarter of 2006, the GDP growth ratio was at 9.4% and the inflation rate was 7%. However, regardless of the relatively good economic situation, the foundations of the Belarusian economy are rather shaky, to a great extent. This is an effect of the boom in the external markets<sup>26</sup> as well as economic co-operation with & support from Russia<sup>27</sup>.

The weak points of the Belarusian economy are its lack of institutional and structural reforms, a lack of foreign investments due to denied access, and worsening conditions of co-operation with Russia. All this puts the pace of economic growth at risk. For example, according to IMF forecasts, a double rise in Russian gas prices (from US\$47 to US\$95 per 1000 m<sup>3</sup>) for Belarus in 2007 may result in a negative GDP growth (-0.7%), instead of the previously expected positive growth by 4.5%<sup>28</sup>.

<sup>24</sup> *Republic of Belarus: 2006 Article IV Consultation – Staff Report*, IMF Country Report No. 06/314, August 2006.

<sup>25</sup> From a conversation with Yaroslav Romanchuk of MISES Analytical Centre in July 2005.

<sup>26</sup> Especially high global prices and demand for oil and mineral products, which are the main sources of income for the Belarusian exports.

<sup>27</sup> First of all, sale of energy raw materials at lower than market prices, preferences in access to the Russian market and credits.

<sup>28</sup> *Republic of Belarus: 2006 Article IV Consultation – Staff Report*, IMF Country Report No. 06/314, August 2006, p. 18.



## The peculiarities of the Belarusian economy

The growing role of the state in the economy is principally connected with the two basic trends existing in the economic policy of the authorities, the re-nationalisation of the property of previously privatised companies and founding large state-owned holdings. These trends have emerged as a consequence of President Lukashenka's desire to have total control of the situation in the country. They are intended to prevent the emergence of strong business groups, independent of the president, within the Belarusian *nomenklatura*. They are also expected to strengthen Lukashenka's economic independence, especially from Russia, and prevent any possible takeovers of property in Belarus by foreign capital.

The policy of strengthening the position of the state in the economy also conforms to the interests of the Belarusian *nomenklatura* itself. Owing to the nationalisation, groups belonging to the *nomenklatura* have taken over real control of cash flows in the state (although not of the property itself).

### a) Re-nationalisation

The level of the state's share in private companies has been constantly growing over recent years. As of 1 January 2006, the state owned a total of 68.5% of the general number of stakes in all joint-stock companies<sup>29</sup>. Privatisation has also slowed down. In 2005, as few as 27 enterprises, which employed a total of 5,000 people, were privatised, while a year before 51 firms with 19,000 employees had been privatised. Not a single key enterprise was privatised in 2005.

The usual mechanism by which the state authorities take over shares consists in restructuring the debts owed by the enterprise to the state in exchange for shares in the company. Another method is to increase the stock capital of the company upon the authorities' decision, grant the ownership title to the newly-issued stocks to the state, and thus reduce the proportion of private stocks in the enterprise. The legal basis for such a procedure has been provided for by presidential decrees, including the right to the 'golden share', which was introduced by presidential decree no. 125 of March 2004 entitled *On the special right ('golden share') of the state to participate in managing enterprises*.

The case of the Mozyr refinery, which is co-owned by the Russian company Slavneft, may be a good example of the way in which the mechanisms described above work<sup>30</sup>. In September 2006, the state authorities took over control of the minority shareholder of the refinery, the MNPZ-plus company, as a consequence of which the state became the owner of a majority block of shares in the refinery. The takeover happened as a result of introducing the 'golden share' mechanism in the enterprise in January 2005. This enabled the state representative at MNPZ-plus to take decisions without obtaining consent from a majority of the shareholders. In April 2006, the state representative alone, using the 'golden share' right, agreed to the state's demands to restructure the enterprise by increasing the initial capital and to transfer ownership of 98.9% of the company's shares to the state. The president approved the company's ownership restructuring plan under a decree in June. As a result, the state has gained control of a further 12% of shares in the Mozyr refinery owned by the MNPZ-plus company (in addition to its holdings of 42%). This has also diminished the position of Slavneft in the Mozyr refinery.

In early September 2006, President Lukashenka signed another decree, no. 538, on increasing the state's shareholdings in a further 82 joint-stock companies.

<sup>29</sup> Data from the Ministry of Economy provided by the Information Company Belapan.

<sup>30</sup> The refinery shareholders are the government of Belarus, holding 42.757% shares, the Russian company Slavneft (owned by Gazprom) with 42.581% shares, and the employee-owned company MNPZ-plus, which holds 12.252% shares; the other shares are held by petty investors.

The agreement to sell 50% of stakes in Beltransgaz to the Russian company Gazprom, to be implemented between 2007 and 2010, has been an exception to the policy. Nevertheless it must be emphasised that in this case the Belarusian authorities have been forced to allow for the privatisation as an effect of strong political and economic pressure from Russia.

#### b) Founding of holdings

Re-nationalisation is combined with the process of founding large state-owned holdings by state authorities. Deputy Prime Minister Uladzimir Siemashka has played a significant part in developing this concept. The holding founding scheme consists in merging enterprises within one branch of industry (under government decrees) into one large company. As a rule, enterprises in Belarus are owned by the state. A holding is created as a result of transferring the right to manage the assets of the companies which form the holding to a new business entity. This enables the state to increase consolidation of its shares and strengthen its position in selected branches of the industry.

Strong holdings are expected to build up the position of the Belarusian state against foreign companies (especially Russian ones), and prevent the latter from taking over ownership of Belarusian enterprises. Moreover, the consolidation of funds is done to increase Belarusian firms' investing potential, and enable them to modernise themselves using their own assets, thus avoiding the excessive engagement of foreign capital (in the case of Belarus, this is predominantly Russian capital). In turn, for the Belarusian *nomenklatura*, representatives of which work as the executive staff of such companies, the process of founding holdings is a way of taking over control of cash flows (although not of property) of these enterprises.

## II. INTERNATIONAL RELATIONS

### 1. Relations between Belarus and Russia

#### Characteristics of the relations

Belarus and Russia have developed very strong political, economic and security-related bonds. These result *inter alia* from the co-dependence of the political interests of the two countries' ruling elites and the cultural proximity of the two nations<sup>31</sup>. Since regaining independence, Belarus has actually never broken its bonds with Russia, which had existed since Soviet times. Integration projects had been developed since the mid-1990s, which in turn led to the signing of an agreement on the Union State of Belarus and Russia in 1999.

The dominant position of Russia is a characteristic of the two countries' mutual contacts. Minsk is dependent on Moscow's support in many areas, which results in a significant limitation of Belarus' sovereignty as a state, to the benefit of Russia. However, close as the ties existing between the two countries are, some conflicts of interests, have also appeared, causing serious tensions in mutual relations. The widely publicised integration of the two countries into a Union State is by many appearances merely a virtual integration.

The nature of economic relations between the two countries significantly changed in early 2007. Russia has essentially reduced its support for the Belarusian economy as it noticeably raised gas prices and restricted some preferential conditions of trade in oil and other goods which Belarus had enjoyed before. The changes may mean a beginning of a new era in relations between Belarus and Russia, which will be characterised by more pragmatic economic contacts. Moscow seems to have succeeded in establishing its dominating position with regard to Minsk, and in forcing the Belarusian government to carry out Russian demands.

#### The platforms of dependence and co-operation

##### a) The common security area

The dependence of Belarus on Russia is heaviest in the areas of defence and security. This close co-operation has been emphasised by military exercises, which have been held on a regular basis on training grounds in both countries. The most recent large-scale exercises, in which nearly 10,000 soldiers participated, took place in late June/early July 2006 in Belarus.

The co-operation of the two countries' secret services is also very extensive. The Belarusian security sector is totally dependent on Russian material and technical support. For example, in 2006 Russia gave Belarus S-300 air defence systems for free. Documents on creating a common Regional Group of Forces and Air Defence System are ready, and need to be signed by the president of Belarus (these systems already operate unofficially). In addition to military co-operation, two Russian military bases operate in Belarus, one in Vileyka and another in Gantsevichi near Baranovichi<sup>32</sup>.

The two countries' arms industries co-operate closely. Belarusian firms often act as subcontractors for Russian arms industry groups. Belarus also acts as an agent in the Russian arms trade (besides it is itself one of the major global arms exporters)<sup>33</sup>.

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<sup>31</sup> Supporters of the idea of integration prevail among the respective societies of both countries. In a poll conducted in August 2006 by NISEPI in Belarus, 41.5% of respondents stated that Belarusians did not differ from Russians in any way, and 65.7% stated that Russians, Belarusians and Ukrainians were three branches of one nation.

<sup>32</sup> The base in Gantsevichi has a Volga radar station, which is a part of the Russian Missile Attack Warning System. It is operated by nearly 2,000 Russian military personnel and specialists. In turn, the base in Vileyka has a naval communication system (the Antey radar station) with 350 Russian officers.

<sup>33</sup> Douglas Mark, *Choke off Belarus's deadly arms trade*, International Herald Tribune, 9.10.2006.



At the same time, considering the fact that there are no border checkpoints or border controls between Russia and Belarus<sup>34</sup> (the border between the countries has not been delimited), Belarus's north-western borders are actually the external borders of the Russian Federation. Both countries co-operate closely in combating so-called 'soft' security threats, an example of which was the creation of a common database of persons unwelcome on the territory of the Union State<sup>35</sup>. The high degree of Belarus's dependence on Russia in the field of security gives grounds for the statement that the Belarusian security sector is a *de facto* part of the Russian defence complex and security area.

### b) Political dependence

Minsk's great dependence on Moscow is also noticeable in the political sphere. Russia is in fact the only significant country to support Lukashenka's regime and thus legitimise its operation in the international arena<sup>36</sup>. Russia recognises the Belarusian regime as legal. It also acts as Minsk's advocate at such international forums as the UN, the OSCE and the Council of Europe. This enables President Lukashenka to stick to his policy of self-isolation in relations with other countries, which accuse him of violating human rights and democratic values (mainly European countries, the USA and Canada). Russian political support has had a great impact on Lukashenka's position in domestic politics. Thanks to it the Belarusian president has won all the elections and has been able to survive all the serious political crises in the 1990s (especially the one in 1996). Russia does not support any other political forces in Belarus with equal strength.

Russian support for Lukashenka lets Moscow keep the country within the sphere of its exclusive political influence, and guarantees that Minsk will continue its pro-Russian foreign policy.

### c) Economic subsidisation

Russia is the main economic partner for Belarus. Until the end of 2006, Moscow offered a number of economic preferences to Minsk, principally including (1) low prices of Russian energy raw materials; (2) special conditions for the re-export of Russian oil processed by Belarusian refineries, which has been a source of significant income for Minsk<sup>37</sup>; (3) facilitated access for Belarusian exporters to the Russian market; and (4) financial credits granted by Russia under preferential conditions.

Russian support causes strong economic dependence. It is mainly thanks to Russia that the Belarusian regime has been able to maintain the specific economic model on which its political power is based. Belarus does not have diversified sources of energy, and its foreign trade is largely dependent on exports to Russia. Thanks to the intensifying trade exchange, at the level of over US\$11 billion in 2005, Belarus is a major trade partner for Russia. The export of raw minerals allows Russia to maintain a significant positive balance (about US\$4 billion) and lets Russian companies generate significant incomes<sup>38</sup>. This economic domination is an important tool for Moscow to exert pressure on Minsk.

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<sup>34</sup> Only customs checkpoints operating on the Russian-Belarusian border exist on the main routes.

<sup>35</sup> A statement by the Russian Interior Minister Rashid Nurgaliev, confirmed by the Belarusian Interior Minister Uladzimir Naumav, made in September 2006.

<sup>36</sup> Support from other states, e.g. China, is not really essential.

<sup>37</sup> According to estimates by Alaksandr Gotovsky, an expert from the Belarusian Ministry of Economy, Belarus has as of April 2006 earned around US\$3.9 billion annually thanks to the lower prices it has paid for Russian gas (according to prices applicable in early 2006).

<sup>38</sup> Oil is the main Russian export product, with a 40% share. It is estimated that Russian companies as a total earn around US\$1.5 billion on oil sales to Belarus at prices higher than those applicable inside Russia. They also earn on the difference in customs duty rates (in Belarus, export customs duty rate is lower than in Russia, and no tax is imposed on exports from Russia to Belarus). According to estimates, they earned US\$370.6 million from that in 2005.

## The sham integration

Belarus and Russia have been making attempts to integrate since the early 1990s. Common inter-state structures were being created between 1995 and 1999<sup>39</sup>, although then the process was effectively suspended. The agreements signed so far are rather general (that is to say, no definite rules according to which further integration would be made were set) and have not been fully ratified or implemented. Since 1999, there has been ongoing discussion on the possible adoption of a Constitutional Act (to be followed by a common Constitution) and introducing a common currency. The parties have so far failed to ratify such acts as the agreement on the equal rights of citizens of both countries (Russia) or the agreement on property (Belarus). In addition, the agreement on co-operation in the gas sector, signed on 12 April 2002, was not implemented until the end of 2006. Pursuant to it, Russia would continue selling gas to Belarus at its domestic prices, in exchange for which Belarus undertook to sell 50% of the government's stakes in the Belarusian gas monopoly Beltransgaz to Gazprom. Belarus had consistently refused selling Beltransgaz shares, and Russia promised it would raise gas prices up to global market level. It unilaterally withheld implementation of any provisions under the agreement in September 2006<sup>40</sup>. In addition to the dispute about economic co-operation, there is also a conflict concerning the form of the further political integration of the two countries. The Belarusian president has definitively rejected any solutions that could formally and finally make Minsk subordinate to Moscow's political decisions. Russians want to sanction such subordination under the Constitutional Act of the Union State, where influence on the decision-making process would depend on the respective political and economic positions of the two countries (that is, it would in fact guarantee Russia's domination). On the other hand, Lukashenka is trying to preserve the veto right by setting a principle of one country having one vote.

Integration by creating common supranational structures has more to do with official statements and propaganda, while real dependences are built outside the structures of the Union State.

## The growing conflict

Integration processes were in fact suspended after 1999 as a result of differences in politico-economic interests existing between the Belarusian government and the Kremlin. Disputes between Minsk and Moscow at times turned into conflicts, such as in February 2004, when Russia cut gas supplies. Following the 2006 presidential election in Belarus, Russia intensified its pressure on Minsk to carry out its previously unfulfilled demands. The resistance to do so which Minsk had consistently demonstrated caused significant tension and the most serious crisis in bilateral relations, as a result of which Russia cut oil supplies via the Druzhba pipeline in January 2007.

The dispute between Belarus and Russia principally concerns substantial economic issues, especially those related to the energy sector. Russia wants in the first order to take over shares in Beltransgaz, the Belarusian gas monopoly and owner of distribution and transit networks. Apart from that, Russian companies are also interested in taking over control of oil firms, especially the Belarusian refineries in Mozyr and Polotsk. This will allow the broader goal of Russian policy towards Belarus to be achieved, namely taking control over the strategic and most profitable sectors of the Belarusian economy. If Lukashenka lost control of the Belarusian energy sector, this would mean a significant weakening of the economic foundation of his authority, and could eventually result in his losing political authority in the future. Therefore, the Belarusian president has been doggedly trying to keep full control over Belarusian energy companies.

<sup>39</sup> As a result of subsequent stages of integration of Belarus and Russia, the following statutes were established: Customs Union in 1995; the Association of Belarus and Russia on 2 April 1996; the Union of Belarus and Russia on 2 April 1997; and the Union State of Belarus and Russia on 8 December 1999.

<sup>40</sup> Mikhail Zygar, Natalia Gryb, *Dvizheniye k neprisoyedeniyu*, 'Kommersant', 30 September 2006.

In its attempts to realise its interests, Russia has mainly been resorting to economic pressure, trying to shake the economic pillars of the Belarusian regime. The threats of raising gas prices from US\$46.68 to US\$200 per 1000 m<sup>3</sup> in case Belarus refused to sell 50% of the stakes in Belatransgaz served the purpose. The reduction of oil supplies to Belarusian refineries in the final quarter of 2006 was another element of the pressure. Additionally, the Russian government has raised other issues such as Minsk paying back part of the profits it has made from taxes on Russian oil products re-exported by Belarus<sup>41</sup>, removing barriers for Russian companies' access to the Belarusian market, and implementing the already-signed agreement on the introduction of the Russian rouble as the currency of Belarus<sup>42</sup>.

### The energy crisis and its consequences

These conflicting interests and the tenacious approach both sides had adopted in their respective policies led to the crisis in Russian-Belarusian relations in late 2006/early 2007. As a consequence of the crisis, Russia cut oil supplies to Belarus and Europe for three days. The conflict concerned two major issues, the gas prices for Belarus and the trade in oil products. The dispute was settled by signing two agreements, one on 31 December 2006 on gas supplies until 2011, and another on 12 January 2007 regarding co-operation in the exports of crude oil and oil products.

The gas contract provides for a gradual increase in gas prices for Belarus to reach the European market price level in 2011, and for the sale of 50% of shares in Beltransgaz to Gazprom in four years' time<sup>43</sup>. These provisions can be summed up as a compromise. Belarus has been forced to accept the Russian demands; however, it still has several years to meet them. Especially in the case of the Beltransgaz share sale, Minsk has managed to keep some room for manoeuvre; this will let it attempt to avoid fulfilling the provisions in the future, which are unfavourable for Belarus. In effect, the agreement has failed to finally resolve the existing disputes; instead it only temporarily settles the conflict over control of the Belarusian gas sector.

The oil agreement sets the rules for oil and oil product trade between Russia and Belarus and third countries<sup>44</sup>. The trade mechanism operating until the end of 2006 was favourable for Belarusian oil sector companies, the Belarusian budget and for Russian oil corporations. The new agreement brings benefits in the first order to the Russian budget, which will receive most of the gains from the customs duties imposed on exports of oil and oil products (according to estimates from the Russian Ministry of Finance, the state budget will additionally receive between US\$2.5 and 3 billion annually). This reduces the profitability of oil processing at Belarusian refineries and of exporting oil products from Belarus. As an effect of the agreement, Russian subsidies to the Belarusian economy will be significantly reduced.

<sup>41</sup> Until the end of 2006, 100% of the charges went to the Belarusian budget. The Russian government demanded that the gains be divided in the following proportions: 85% for Russia and 15% for Belarus, which in fact was a demand to deprive Belarus of income from export taxes on oil products. On 8 December, the Russian government signed a decision to impose customs duties on oil exported to Belarus, which came into effect on 1 January 2007.

<sup>42</sup> The agreement was signed in 2000, as was provided for under the agreement on the Union State. Originally, the Russian rouble was to be introduced there on 1 January 2005, which was not done due to obstructions posed by the Belarusian side. Currently, both sides claim that this can be done in 2008 at the earliest, although no definite activities have been taken to achieve the purpose.

<sup>43</sup> For more information on the gas agreement, see Rafał Sadowski, *Russia and Belarus sign new gas deal*, <http://www.osw.waw.pl/en/epub/EW/2007/070104/ew66.htm>

<sup>44</sup> For more information on the oil conflict see

Rafał Sadowski, *Russia Stops Oil Transit Through the Druzhba Pipeline*, <http://www.osw.waw.pl/en/epub/EW/2007/070111/01.htm>

Rafał Sadowski, *End of the Russian-Belarusian Oil Conflict*, <http://www.osw.waw.pl/en/epub/EW/2007/070118/01.htm>

Both agreements may result in lowering the income of the Belarusian budget, which will reduce Minsk's capabilities to pursue its previous economic policy based on state interventionism and extensive social services. Paradoxically, the limitations imposed by Russia may in the longer term cause a partial opening of the Belarusian market and a liberalisation of the economic policy. In the long term, the new energy agreements will also have political consequences for Belarus and President Lukashenka. A possible change in Belarus' economic policy will affect the nature of its political regime and weaken the dominant position of Alyaksandr Lukashenka in it. It also seems that Moscow's political position has grown in its relations with Minsk, since the latter will have much less strength to withstand Russian pressure.

## 2. The Western stance on Belarus

### The West shows growing interest between the referendum and the election

Until mid-2004, Belarus occupied a marginal position in Western states' policies. The referendum of October 2004, which enabled Alyaksandr Lukashenka to run for the presidency for a third term and opened up his way to unlimited rule, was an event which stimulated the West to become more active on the issue of Belarus, and caused a gradual toughening of the Western policy on the regime in Minsk. The orange revolution in neighbouring Ukraine contributed to raising interest in Belarus in the international arena to a certain extent. The events in Ukraine attracted international opinion's attention to the East European region. The intensification of Kyiv's pro-Western policy and the discussion on Ukraine's integration with the EU and NATO made the member states also take interest in the situation in neighbouring Belarus.

The Western states which have the most active policies on Minsk are Belarus's neighbours, Poland and Lithuania, and to a lesser degree Latvia, the Czech Republic, Slovakia and the United States. Countries which engage in projects aimed at fostering democracy in Belarus include Holland, the Scandinavian states, the United Kingdom, Germany and Canada. The other EU member states and candidates to membership, which do not have any direct interests in Belarus, passively support the European Union's policy.

### The Western stance on the presidential election in Belarus

Another event in Belarus after the 2004 referendum to hold the West's attention was the presidential election in March 2006. Intensifying repression and election fixes on the one hand, and the relatively high-profile activity of the opposition on the other, fuelled the interest of the foreign media and forced the West to take definite actions. The EU and NATO member states took a uniform stance on the situation in Belarus. They were also unanimous about the general form of the policy to be adopted towards Minsk. This was demonstrated by the high coordination of EU and US actions taken with regard to Belarus<sup>45</sup>.

In the run-up to the election in Belarus, the European Union and the United States criticised human rights violations by the government in Minsk and threatened to impose sanctions unless the March presidential election satisfied democratic standards. At the same time, they granted political support to democratic parties, which was shown by visits which the Belarusian opposition leader Alyaksandr Milinkevich made to European capitals, and meetings he held at very high levels<sup>46</sup>.

<sup>45</sup> Sending a common EU-US high level delegation to Minsk in February 2006 was intended to be a symbolic manifestation of that. However, the visit did not take place because Belarusian authorities, who saw any joint international actions as a serious threat, denied the necessary visas.

<sup>46</sup> Among others, with most senior EU officials and representatives of governments of such member states as Poland, Germany, Lithuania and France.

Before the election, the EU and the US launched a number of programmes for the democratisation of Belarus. Their primary goal was to support the development of independent media and civil society in the country. The undemocratic way in which the election was conducted caused a further sharpening of the Western policy on Belarus. In addition to general criticism, visa-related sanctions were imposed, and bank accounts of Belarusian officials responsible for breaking the law and fixing the election were frozen. Simultaneously, help and support for Belarusian society was continued.

## **A review of actions taken by Western states with regard to Belarus**

### **a) The European Union**

Before 2004, the EU took a two-track approach towards Belarus. On the one hand, this consisted in active support for civil society and criticism of the regime, and on the other in keeping limited contacts with representatives of the state authorities. A significant change, which toughened the Union's activity, took place after the referendum in Belarus in October 2004.

On 22 November 2004, the Council of the European Union imposed a travel ban on six officials responsible for electoral frauds and human rights violations. At the same time, the EU lowered the level of relations with the country's official bodies. A rule was set according to which bilateral contacts with the EU and member states would be maintained not directly, but through the EU Presidency, the EU Secretary General, the European Commission and the Union's Troika. At the same time, promises were made to intensify programmes supporting democracy, regional co-operation and humanitarian aid.

Criticism of the Minsk government's undemocratic behaviour has been growing. The European Parliament has taken a much tougher stance than the European Commission has, passing five resolutions on the situation in Belarus since 2004.

The lack of reaction from the Belarusian side to the Union's appeals to guarantee democratic rights has provoked the EU to impose sanctions against the regime in Minsk. The European Union, following the March election, has imposed visa-related sanctions and frozen the bank accounts of 31 Belarusian officials responsible for violations of human rights and election fixes. The EU has also increasingly sharply criticised Russia for supporting Lukashenka's regime, in the European Parliament's resolution as of 6 April 2006 *inter alia*.

At the same time, the Union is trying to improve instruments of support for civil society, which have so far been considered ineffective in the specific Belarusian conditions. Currently, European aid for Belarusian civil society is provided as part of two financial instruments, the European Initiative for Democracy and Human Rights (EIDHR) and Decentralised Co-operation. In 2005, €450,000 were spent as part of EIDHR and €1.7 million as part of Decentralised Co-operation. The Decentralised Co-operation Instrument is especially flexible, since it enables aid to legally unregistered entities (most NGOs currently operating in Belarus are illegal). Moreover, in February 2006 the European Commission launched a biannual programme to support independent media in Belarus, worth €2 million. The programme provides for financial backing to an independent radio station and satellite television & training for Belarusian journalists, among other measures. The EU also finances the TACIS programme, which is aimed at meeting social needs and implementing infrastructural projects. The programme's budget for Belarus was €10 million for the years 2005-2006.

The Union suspended its activity with regard to Belarus as part of the European Neighbourhood Policy (ENP), because of the undemocratic authoritarian regime in Minsk and the country's failure to sign a Partnership and Co-operation Agreement (PCA) with the EU. However, Brussels emphasises that it is open to co-operation with Belarus as part of the ENP, on condition that the authorities in Minsk stop violating human rights and undertake democratic reforms. At the same time, the European



Commission is preparing a unilateral Shadow Action Plan to consolidate the Union's activities on Belarus, as part of the new budget prospect for the years 2007–2013. Additionally, individual EU member states have been implementing their own programmes of support for civil society in Belarus.

On 21 November 2006, the European Commission presented the document entitled *What could the European Union bring to Belarus?* The paper reiterated the offer of political and economic co-operation, provided that Belarus embarked upon democratic transformation. The document mainly concentrates on the positive aspects of co-operation, which are expected to cover the following three basic areas: improving the living conditions of Belarusian society, developing & enhancing EU-Belarusian trade and economic co-operation, including opening the European market up to Belarusian enterprises. The Union is ready to fulfil the proposals made in the document, on condition that a democratisation process starts in Belarus, covering free elections, a guarantee of freedom of action to independent media, independent and unbiased justice authorities, respecting freedom of association, releasing political prisoners and conducting an independent investigation into the cases of opposition activists' disappearances.

## b) The United States

The US activities towards Belarus are slightly different in their nature from those taken by the European Union, since they use different policy instruments and have different interests in the region. American policy is based on the *Belarus Democracy Act 2004*, which was passed by the Congress in October 2004. The Act sets out actions for the years 2005 and 2006 and has been renewed for 2007. The tasks cover aid in creating and developing democratic political groups, social organisations and media, including launching and financing an independent radio station. The United States allocates nearly US\$10 million annually to supporting democratisation programmes in Belarus. American financial support mechanisms are more flexible than those applied by the EU. For this reason, most Belarusian non-governmental organisations operate mainly thanks to US aid<sup>47</sup>. Before 2005, the USA had been more critical about the Belarusian authorities and had appealed for more radical actions towards them to be taken. However, when the EU's stance toughened and the US and EU activities were coordinated, the basic features of the American and European policies proved to be the same.

## Success of this activity

The actions taken so far have failed to improve the situation in Belarus. However, it is worth emphasising that the existence of the Belarusian democratic opposition, independent social organisations and free media would have been under serious threat without support from the West. The criticism of the undemocratic regime in Minsk and the sanctions imposed on it are rather of a symbolic nature. Nevertheless, they do constitute an element of pressure on the Belarusian government, and to a certain extent restrain it from expanding repression. One positive effect of the Union's pressure on the authorities in Minsk seems to be the amendment of the trade union law to liberalise the rules of trade unions' operation, which Belarus has been preparing since October 2006. Minsk has decided to effect the amendment because the EU had threatened to impose economic sanctions by depriving Belarus of customs preferences as part of the Generalised System of Preferences.

Nevertheless, it seems that any offers of support and enhancing co-operation in exchange for the democratisation of the country are unlikely to be accepted by President Lukashenka since they contradict the main political goal of the Belarusian president, which is to preserve the government's monopoly in Belarus.

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<sup>47</sup> As estimated by Belarusian NGO activists in conversations with CES workers.

## SUMMARY

Currently, there seem to be no real factors that could lead to the democratisation of Belarus in the short- or mid-term. The democratic opposition and civil society structures function on the margin of social life, and are unable to affect the situation in the country. Belarusian society is quite passive, and most of the population accept the existing politico-economic situation. For this reason, growing social tension that could bring major political changes can hardly be expected in the immediate future. Moreover, the present regime's ruling class is uninterested in changing the situation in Belarus, and the president has successfully neutralised any devolutionary tendencies within the ruling camp.

The policy of Western states addressed towards Belarusian society, which is targeted at changing the people's mentality and stimulating transformation, can only bear fruit in a longer term (in 8 to 10 years). In turn, the offer addressed by Europe to the authorities is not attractive to them.

However, it seems that Russian policy on Belarus may appear to be the most serious factor of change, whatever direction such change might take. The Belarusian president's position may gradually become weaker in the pending dispute with Moscow. His tactics of delaying or withdrawing from meeting Russia's demands seems to be losing effectiveness as Russian pressure and determination grow, while his opponent has kept the initiative all the time during the game. The worsening economic situation due to the reduction of economic support from Russia may force Lukashenka to gradually yield to Russian demands.

If such a scenario came true, Belarus would further lose its sovereignty, to the benefit of Russia. A reduction of Russian economic support for Belarus may in the first order force the government in Minsk to change the economic policy. Then, the Belarusian authorities would face a dilemma and decide whether to strengthen their country's economy through modernisation and free-market liberalisation, while at the same time gradually democratising the political system and opening the country to contacts with the West, or to bring the Belarusian politico-economic system closer to the Russian one. If the latter is the case, which is more likely, prospects for the democratisation of Belarus itself and chances for its integration with Europe will remain bleak.

## APPENDIX 1

### List of abbreviations

AHP – United Civic Party  
 BEPZ – Belarusian Ecological Green Party  
 BNF – Belarusian Popular Front  
 BSDP-H – Belarusian Social-Democrat Party Hramada  
 ENP – European Neighbourhood Policy  
 KGB – Committee for State Security (secret police)  
 KGK – State Control Committee  
 CPB – Communist Party of Belarus  
 PCB – Party of Communists of Belarus  
 PSS – President's Security Service  
 UDP – Department for President's Affairs  
 UDF – coalition United Democratic Forces

## APPENDIX 2

### Divisions within the opposition

| Group of collaborating parties | Parties and factions   | Leaders  | Programme   |
|--------------------------------|--|--|---|
| 'For Freedom' movement         | BNF, European Coalition, Green Party, Belarusian NGOs                          | Alyaksandr Milinkevich                                   | pro-Western approach, Belarus in the EU, partnership-based relations with Russia            |
| Alliance of Left-Wing Parties  | PCB, BSDP-H, Women's Party 'Nadziya', Belarusian Social-Democrat Party Hramada | Siarhei Kalakin, Alyaksandr Kazulin, Uladzimir Nistsiuik | pro-Russian, support continuation of the process of integration with Russia                 |
| United Civic Party – AHP       | AHP  | Anatol Labiedzka   | politically close to the left-wing bloc, especially to PCB and BSDP-H, opposing Milinkevich |

## APPENDIX 3

### Macroeconomic data

#### GDP

|                                  | 2003 | 2004 | 2005 | 2006**         | 2007** |
|----------------------------------|------|------|------|----------------|--------|
| GDP growth (%)*                  | 7,0  | 11,4 | 9,3  | 7,0            | 4,5    |
| GDP value (US\$ billion)         | 17,8 | 23,1 | 29,6 | 34,2           | 38,9   |
| industrial production growth (%) | 7,1  | 15,9 | 10,4 | 6,5<br>-7,5*** | --     |

\* Official data stated by Belarusian authorities, in fact overstated by about 1–2 %. The differences are a result of different methods being used to calculate the indicators in the Belarusian system than those globally accepted.

\*\* IMF estimates.

\*\*\* Data provided by Belarusian authorities.

Source: Republic of Belarus: 2006 *Article IV Consultation – Staff Report*, IMF Country Report No. 06/314, August 2006.



## Inflation

|                             | 2003 | 2004 | 2005 | 2006* | 2007* |
|-----------------------------|------|------|------|-------|-------|
| inflation rate (%) year end | 25,4 | 14,4 | 8,0  | 9,0   | 9,0   |

\* IMF estimates.

Source: *Republic of Belarus: 2006 Article IV Consultation – Staff Report*, IMF Country Report No. 06/314, August 2006

## Trade turnover in Belarus between 2000 and 2005, US\$ billion

|         | 2000 | 2001 | 2002 | 2003  | 2004  | 2005  |
|---------|------|------|------|-------|-------|-------|
| exports | 6640 | 7256 | 7682 | 10073 | 13942 | 16095 |
| imports | 7524 | 8063 | 8632 | 11329 | 16126 | 16623 |
| balance | -884 | -807 | -950 | -1256 | -2184 | -527  |

Source: *Republic of Belarus: 2006 Article IV Consultation – Staff Report*, IMF Country Report No. 06/314, August 2006;

*Republic of Belarus: 2003 Article IV Consultation – Staff Report*, IMF Country Report No. 03/117, April 2003.

## Belarus's principal trade partners in 2005

| No. | Country        | Goods trade 2005<br>US\$ billion | Imports      | Exports      |
|-----|----------------|----------------------------------|--------------|--------------|
|     | <b>Total</b>   | <b>32,67</b>                     | <b>16,70</b> | <b>15,97</b> |
| 1.  | Russia         | 15,80                            | 10,09        | 5,71         |
| 2.  | Holland        | 2,56                             | 0,16         | 2,40         |
| 3.  | Germany        | 1,82                             | 1,12         | 0,70         |
| 4.  | Ukraine        | 1,79                             | 0,89         | 0,90         |
| 5.  | Poland         | 1,41                             | 0,57         | 0,84         |
| 6.  | United Kingdom | 1,26                             | 0,14         | 1,12         |
| 7.  | China          | 0,71                             | 0,28         | 0,43         |
| 8.  | Latvia         | 0,41                             | 0,09         | 0,32         |
| 9.  | Italy          | 0,45                             | 0,39         | 0,16         |
| 10. | Lithuania      | 0,48                             | 0,13         | 0,35         |
| 11. | USA            | 0,48                             | 0,23         | 0,25         |

Source: Ministry of Statistics and Analysis of Belarus

as in *Belarus – guide for businessmen*, 6th edition, August 2006;

*Belarusy i Rynok*, no. 10(695), 10.03.2006;

macroeconomic data.

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