

BULLETIN

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Editors: Marcin Zaborowski (Editor-in-Chief), Katarzyna Staniewska (Executive Editor),
Jarosław Cwiek-Karpowicz, Beata Górka-Winter, Artur Gradziuk, Beata Wojna

The EU's Modernisation Plan for Belarus

Anna Maria Dyner

On 16 April in Warsaw, the European Union inaugurated the third pillar of cooperation with Belarus: "The European dialogue for modernisation". After a regime of sanctions (considered the first pillar of EU policy) and support for civil society (the second pillar), the EU has proposed developing a program of reforms in which independent experts, representatives of political parties and Belarusian elites downstream will be included. The goal of the project is to develop comprehensive solutions for the modernisation of Belarus. However, their implementation will be difficult because of bad political relations between Belarus and the EU.

The New EU Initiative on Belarus. European Commissioner for Enlargement and European Neighbourhood Policy Stefan Füle launched the "European dialogue for modernisation" on 29 March in Brussels. The dialogue will touch on a wide range of issues, such as electoral, judicial system, and market reforms, strengthening people-to-people contacts and issues connected with economic and sectoral policies. It is compatible with the Joint Interim Plan for Belarus, functioning under the framework of the Eastern Partnership, and was addressed to Belarusian public administration institutions.

Within the framework of the dialogue, a series of conferences and seminars will take place in the capitals of the Member States to not only diagnose the main problems of the Belarusian economy and political system but also to develop concrete projects for reforms in these areas and concepts for their implementation. The purpose of the program is also to support civil society, independent media, and students expelled from universities for political activities. These actions are intended to prevent the isolation of Belarus and its citizens in the international arena as a result of the policies of the authorities in Minsk. Another goal of the project is to transfer to Belarusians practical knowledge about the transition experiences of EU Member States. The European Union intends to start the new project in stages, with the first ending before the parliamentary elections in Belarus scheduled for this autumn.

The EU is assuming the choice of topics should also inspire Belarusians (independent experts and representatives of political parties and the independent press as well as the authorities) to discuss and develop their own strategies—as was the case with the first seminar on privatisation, which was held on 16–17 April in Warsaw. Recently, privatisation has started to be discussed relatively frequently by Belarusian authorities (including President Alexander Lukashenka), but it does not mean that the Belarusian government has prepared any models of privatisation for their country.

"The European dialogue for modernisation", however, is not an attempt to unfreeze relations between the EU and Belarus, because the conditions for resuming any dialogue is for both the release of political prisoners and their full rehabilitation. It should be stressed that the implementation of any developed reform proposals will be impossible without the resumption of a political dialogue between Belarus and the EU; and so far, Belarusian authorities have not officially reacted to the latest EU proposal.

The Need for Economic Modernisation. The Belarusian economic model of an extended and inflexible public sector (generating approximately 65% of GDP), with partly controlled prices and production according to five-year plans is becoming increasingly ineffective. The crisis in 2009–2011 resulted in changes to the previous mechanism of the functioning of the Belarusian economy,

in which there was an unwritten agreement between the authorities and society for low salaries and pensions in exchange for a developed system of social grants ensuring the security of Belarusian citizens. This was partly caused by the freeing of the ruble exchange rate in September 2011 (meaning the Belarusian government lost total control of payments), reductions in the value of social benefits, and by last year's bombing of the Minsk metro, which showed that the authorities were not able to protect its citizens against terrorist attacks.

The growing need to maintain relatively high social benefits and salaries in the public sector (also for fear of social unrest) will force authorities to undertake economic reforms aimed at increasing the efficiency of the Belarusian economy. In addition, Russia expects changes to be made in the ownership structure of Belarusian companies, and such progress towards privatisation will make possible payments of further tranches of a loan from the anti-crisis fund provided by the Eurasian Economic Community. At the same time, Russia is interested in taking over Belarusian enterprises, such as the petrochemical or machine industries. Belarus will also have to start the reforms because by selling its most profitable state-owned companies in the energy (such as Beltransgaz) and machine (planned holding company from the Minsk Automobile Plant, MAZ, and Russian Kama Automobile Plant, KAMAZ) sectors, the Belarusian government will increasingly lose the possibility to use so-called "cross-subsidisation", or the transfer of funds from profitable sectors of the economy (such as oil companies) to inefficient ones (such as state farms). It should also be noted that in Belarus the number is increasing of people who recognise the need for reform, and now stands at 67%, according to an opinion poll conducted by the independent research centre NISEPI. There is no doubt, however, that Belarusian authorities will want to limit the economic reforms for fear of starting a process of changes that might lead to their loss of control over society.

Recommendations for Poland and the EU. EU Member States should be actively involved in the initiative launched in Poland, offering both the independent Belarusian environment and the lower-level nomenclatura knowledge about the necessary reforms, both economic and political. This initiative is also especially valuable from the standpoint of the government in Minsk.

The modernisation package corresponds to the needs of the Belarusian side—due to increasing economic difficulties, Belarusian authorities will be interested in certain patterns of reform, thanks to which most companies would be able to compete in the market without state support.

The EU should focus in the future on cooperation with Belarusian society and should highlight the need to change the country's obsolete economic and political model. Modernisation should be supported by the EU by promoting cooperation through internships for government officials and independent experts who would be trained in market economics and the problems associated with transition periods. "The European dialogue for modernisation" should be used to prepare Belarusian civil servants (hence, the need for the widest possible involvement in the project of young civil servants) who will be prepared to govern the state efficiently during times of social, political and economic changes. The EU should also encourage cooperation between representatives of the independent Belarusian environments aimed at developing concrete reform proposals.

Disseminating the results of the introduction of EU implementation mechanisms developed within the framework of the "European dialogue for modernisation" through public documents and other sources as widely as possible to the Belarusian public will be crucial. A large-scale information campaign on the need for reforms may contribute to this effort.

The Union should also encourage the development of small- and medium-sized enterprises whose owners are keen to introduce many market reforms in order to operate more freely. In addition, the creation of SME's would favour the formation of a middle class that will be able to put pressure on authorities to carry out the necessary socio-political changes in the country. Such support should be available through the launch of a mechanism for Belarusian entrepreneurs to apply for microcredit.