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Belarus Before the Elections: The Struggle to Maintain the Status Quo

The campaign ahead of the elections to the Belarusian parliament, which are scheduled for September 23, shows the specific nature of its political system. The main factors that distinguish Belarus from democratic countries are the marginal importance of the parliament, concentration of power in the institution of the president, the almost invisible role of the opposition and a defective system of counting votes (such as early voting), which encourages fraud and manipulation of the results. At the same time, the authorities do everything possible to maintain the status quo in the country. Not only does that mean that no single oppositional candidate has a chance to get a mandate in parliament but also that Belarusian authorities will try to avoid implementing necessary reforms, such as liberalisation of the political system or privatisation of state-owned enterprises, because they are afraid of losing power.

A Play of Elections: The Political Situation in Belarus

The electoral campaign to the Belarusian parliament is being run according to the well-known scenario of previous years. In this scenario, it is very easy to predict who will win, but all the political actors are likely to pretend they are taking part in a real political process. The authorities will insist that all parts of the elections are free and fair (which they state also to foreign partners), the voters will respond that they are interested in the elections, and the candidates will state that they compete with each other. But at the end of the day, no one from the opposition gets a single mandate. Moreover, no one expects either a fair count of the votes, or the opposition to be allowed into parliament. As a matter of fact, the election campaign is not interesting even for the government, despite its declaration to the contrary, as the party in power still has yet to be established.¹ What is more, parliament

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¹ As for setting up this party, Belarusian political elites have spoken about it for many years on the assumption it should serve as a party of power, such as United Russia. Moreover, the name of the Belarusian party of power, "White Ruthenia," would indicate, at least linguistically, a connotation to the Russian ruling party. Until now, however, it has not been established, probably because of President Lukashenka's objections to it as a formation of a strong political centre to which he could lose power.

is treated merely as a tool for accepting both the government's and the president's draft laws. The lack of any essential activities by Belarusian authorities during the campaign proves that in the near future nothing will change in the Belarusian political system. Parliament doesn't have any possibility to influence, shape or change the political and economic system in the country.

Problems with conducting a campaign such as this has divided the Belarusian opposition. No single party has prepared an electoral program; and because of a lack of activists, it will be very difficult for the opposition to reach out to voters with its message. The opposition is not conducive to the electoral calendar. The peak of the campaign falls in the summer and early autumn, when interest in politics is fleeting. Gaining a political commitment is not helped by the fact that Belarusian society has been quite strongly affected by last year's economic crisis and people are mainly focused on securing their livelihoods and in no mood to protest.

The Economic Situation: No Chance for Reform

Belarus managed to overcome the economic crisis of 2011 mainly because of Russian support. At the end of 2011, the countries signed an agreement beneficial for Belarus in which the country not only secured gas supplies at a lower price but also will receive oil without duties.² But still, there is a risk that the negative economic trends may be repeated at the end of this year. The more so because President Alexander Lukashenka has stated (including, on the eve of the election campaign for parliament) that the government should raise the average salary to the equivalent of \$500.³ Such an increase is not sustainable in the current economic situation and could only be covered by printing money. This may cause not only a renewed increase in inflation (which is at 12%, according to the official statistics for Belarus in the period 1 January–31 June) but also a further devaluation of the Belarusian ruble.⁴ Moreover, the Belarusian economy still is ineffective, increasingly outdated, and cannot compete in international markets on either price or quality of produced goods.

Another problem that Belarusian authorities will have to deal with is Russia joining the World Trade Organization. Due to commitments under the Common Economic Area signed by Russia, Belarus and Kazakhstan, Belarusian authorities will have to follow Russia, their closest economic and political partner, and decrease tariffs from 10.7% to 8% during the next seven years. Moreover, competition from the Russian market, which is a crucially important issue for Belarus, will increase further. This will be very costly for Belarusian entrepreneurs for two reasons: First, because they could not be able to compete on the Russian market with companies from any other countries that offer cheaper or higher-quality goods; and second, because of the reduction of tariffs in Belarus, which means that Belarusian companies and their products may no longer be attractive even in the internal market and that goods imported by Russia under the new lower import tariffs could easily be shifted to Belarus. This may lead to a decrease in deliveries to the Russian and Kazakh

² "Russia and Belarus have agreed to terms of oil supplies," Advisory and Expert Board of the Customs Union, <http://www.sovet-ts.ru/novosti/398/>.

³ From Belarusian television channel ONT news, 24 July 2012, for more, see: http://ont.by/news/our_news/0077929.

⁴ "Consumer price indices in the Republic of Belarus and selected countries," National Statistics Committee of the Republic of Belarus, http://belstat.gov.by/homep/ru/indicators/prices_countries/main.php.

markets of Belarus' major non-oil exports—machinery production, automobiles, agricultural and food products—which are the main Belarusian export products.

In the near future, Belarus will have to face the problem of a shrinking positive balance of foreign trade, which also may negatively influence its currency reserves. The country's positive balance of foreign trade decreased from \$430 million in July to \$23 million at the end of August.⁵ The main reason for that was that Russia started to block Belarus' ability to export solvents and thinners by cutting the supplies of light crude oil, from which Belarusian refineries produced those petroleum-based products. Russia's actions stemmed from last year's agreements in which Belarus agreed to pay export taxes to Russia for gasoline but not for other kinds of oil products. Thus, selling solvents and thinners instead of gasoline was seen as a way to circumvent that provision.

The current situation with the foreign exchange reserves in Belarus is far from critical, but the country could also be in danger. According to the National Bank of Belarus, on 1 August 2012, foreign exchange reserves as defined by the IMF SDDS amounted to \$8.2 billion, and declined in July by \$99.3 million.⁶ But Belarus did not grab the chance to save its currency reserves for the future, which may be especially problematic from 2013 to 2015, which is the peak repayment period on Belarus' external debt. For these years, the beginning of payments on the country's IMF stand-by loan and credits received in 2007-2008 from the Russian Federation and Venezuela will come due. In 2012 alone, Belarus will have to pay back \$1.7 billion. But even facing such problems, the Belarusian authorities are not likely to start any reforms, and no progress in privatisation should be expected. The Belarusian authorities fear that if they put more power into the hands of private entrepreneurs it will deprive them of some competences in the economy. Moreover, Belarus has changed its privatisation system. Earlier (i.e., in 2011), some enterprises were sold at auction. Now, any decision to sell them is taken by President Lukashenka himself. What is more, according to the new rules, local governments should buy a company for sale in their area. Only when they are not able to do so (for instance, because of a lack of funds) may other companies make a tender. This system hinders the entrance of foreign investors, which is contrary to declarations by the Belarusian authorities of the need to attract foreign funds.

Belarus Increasingly Dependent on Russia

Since the end of 2011, relations between Belarus and Russia have been much better than they were in the previous decade; and in the near future, any sharp deterioration between these two countries should not be expected. At the same time, that doesn't mean there are no points of disagreement between them. Russia will support the Belarusian authorities as long as they are willing to sell it the most valuable assets of the Belarusian state and support Russian authorities in their integration projects (besides the creation of the Eurasian Union, the Russians have returned to their idea of establishing a monetary union and the adoption of a Union State Constitutional Act). What is more, good relations between Russia and Belarus are likely to encourage other countries in the Commonwealth of

⁵ "The trade balance of the Republic of Belarus," National Statistics Committee of the Republic of Belarus, http://belstat.gov.by/homep/ru/indicators/trade_balance.php.

⁶ "International reserve assets of Belarus in accordance with the methodology of the IMF," National Bank of the Republic of Belarus, 01.09.2012, <http://www.nbrb.by/statistics/reserveAssets/assets.asp>.

Independent States, especially Ukraine, to join the integration projects favoured by President Putin.

This applies foremost to energy. For Russia, building a nuclear power plant in Belarus at Astravyets (Grodno region) seems to be a very important project. Together with Belarus, Russia created a company whose task will be to sell the electricity produced in the Belarusian nuclear power plant. The main market, at least in declarations made to this point, will be the Baltic States and Poland. The construction of the nuclear power plant is also important to Belarus as it will also be a growth factor for the country's GDP.

Notwithstanding the problems related to the changes in Belarus' export of petroleum products, the Russians have tried to avoid a deterioration of relations with Belarus and have not escalated the conflict, despite being aware that the Belarusians falsify customs labels. Belarusian companies sell oil products used as fuel in the EU as solvents and thinners in order to get around the provisions relating to the prohibition of the re-export of Russian gasoline and to avoid paying Russia export duty on the fuel. For now, it seems the Russians will seek to resolve this dispute through bilateral negotiations and not through a trade war.

But it's not only the case of solvents and thinners that will be subject to negotiations between the sides. Among the most important is Belarus' efforts to reduce the duty it pays Russia for exporting petroleum products, thus adjusting the export tariff to the same as the import tariff. For Belarus, this is especially important because in 2011 the country paid Russia \$3 billion in export duties on petroleum products and in the period January–May 2012 has already paid \$1.8 billion, so the government hopes to reduce those amounts.

Another potentially controversial point concerns Belarusian companies' agro-food dumping practices on the Russian market. So far, the Russian government has decided not to intervene, despite pressure from its own lobby of food producers. The creation of a Chinese technology park in Belarus⁷ may also cause another conflict with Russia, but it seems that this investment, and the possibility to resign from it, may be seen by the Belarusian authorities as a bargaining chip in the event of any conflict with Russia according to the old scheme of if one offers some latitude (e.g., not checking customs labels on solvents and thinners), the other will withdraw from its cooperation with the China.

Also interesting, due to the new lower prices of crude oil imported from Russia, is that Belarus has decided to stop importing crude oil from Venezuela (or rather from Azerbaijan via oil swaps) . In the long term, that may have an effect on the functioning of the Odessa-Brody pipeline, which was used by Belarus to import oil from Azerbaijan.

Despite the lack of action taken by the Belarusian authorities to launch large-scale privatization, the Russian side has insisted on shares in the most relevant businesses for them. An example of this was the creation of holding company Rosbielavto, consisting of the Minsk Bus Factory, MAZ, and the Kama Automobile Plant, KAMAZ. At the same time, the Belarusian side is trying to use the period of positive relations for the formation of holding companies of this type for companies producing farm equipment—Belarus' Gomselmash

⁷ On 27 August 2012, the Belarusian government approved an agreement with China to build a technological park in Belarus. For more, see: "Chinese–Belarusian Industrial Park to drive Minsk Oblast development," Belarusian Telegraph Agency (BelTA), 27.08.2012, <http://news.belta.by/en/news/econom?id=690930>

and Russia's Rostselmash.⁸ Nevertheless, it is the Russian side that will remain dominant in any such deals. As well, it seems that step by step, Belarus will be forced to sell Russia those enterprises in which it is most interested, such as Belaruskali, one of the world's largest producers and suppliers of potash mineral fertilizers, as well as food companies or the refineries in Mozyr and in Novopolotsk, even if Belarusian authorities do not want to sell any energy-related assets.

Belarus' Relations with the European Union: What to Expect

Despite the Belarusian authorities' declarations of their willingness to resume a dialogue with the European Union, Belarus failed to meet a basic EU demand for the release of political prisoners. Initially, it seemed the Belarusian authorities would announce a solution to meet the EU demands in an announcement on 3 July 2012 (the official Independence Day). The specific provisions of the announcement, however, excluded those who had been convicted under laws related to making plans for the overthrow of power in Belarus or of insulting the president of Belarus, or who were in constant violation of prison rules. These exceptions prevented the release of persons recognised by the EU as political prisoners.

At the same time, representatives of the EU and its Member States indicated that the Union is still ready to support civil society and deepen their relations with Belarus.⁹ The main European initiative towards Belarus (connected with the Eastern Partnership) is the "Dialogue for Modernisation", which was launched in March, 2012.¹⁰ Its first conference, dedicated to privatisation, took place in April in Warsaw. The main goal of the EU is to help Belarus with political, economic, and judiciary reforms, and to develop people-to-people contacts.

The appointment of Vladimir Makei, a previous head of the presidential administration, as Minister of Foreign Affairs may betoken some Belarusian attempts to start a dialogue with the EU. Most likely, the main task of Makei (whose politics are perceived to be pro-European and who to a large extent was perceived as the father of the warming of Belarus–EU relations in 2008–2010) will be to improve Belarusian relations with the European Union. It also seems that by appointing one of his most trusted men to the position of Minister of Foreign Affairs, the Belarusian president has hopes the EU would remove Makei from the list of persons prohibited from entering the Schengen area and that he will have a trusted channel of communication with the EU.

It is very probable that Lukashenka will use the new Minister of Foreign Affairs as the person responsible for unfreezing relations with the European Union, which in the future

⁸ "Belarus to benefit immensely from Gomselmash–Rostselmash holding company," Belarusian Telegraph Agency (BelTA), 22.08.2012, <http://news.belta.by/en/news/president?&page=9>

⁹ See: "Belarus," European Union External Action Service, http://www.eeas.europa.eu/belarus/index_en.htm; "Statement by the Spokesperson of High Representative Catherine Ashton following the meeting of the Political and Security Committee on Belarus," EU press release, 10.08.2012, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/132159.pdf

¹⁰ "Launching European Dialogue on Modernization with Belarus," Delegation of the European Union to Belarus, 29.03.2012, http://eeas.europa.eu/delegations/belarus/press_corner/all_news/news/2012/29_03_2012_en.htm

may let him return to his old policy of balancing Russia and the EU, especially now that both sides have some interest in resuming talks. Belarus wants to reduce its political and economic dependence on Russia, which is why its interest in renewing dialogue with the EU may increase. At the same time, the EU will have to prepare a plan of action if Belarusian authorities would like to resume the dialogue, using the main principle “more for more, less for less”—meaning the European Union will only promote real reforms of the political or economic systems.

In turn, the EU wants to cooperate on transborder issues, from ecological concerns to human trafficking. Moreover, it still seems both sides could cooperate at least at a technical level within the framework of the last EU proposal, “Dialogue for Modernisation”. The Belarusian authorities are not interested in participating in this program at the moment, but that may change, especially if it were to guarantee the possibility of financing infrastructure projects such as the North-South Transport Corridor or cooperation in the energy sector.

Conclusions

The main goal of the Belarusian authorities is to maintain a stable situation in the country. The parliament will remain an irrelevant institution without any possibilities to create state policy, and the president will remain the only political centre in Belarus. The Belarusian opposition, which remains in crisis after the presidential elections of December 2010, will not be able to enforce any changes. Its activities can be considered marginal and it doesn't have any potential to mobilise people to protest. That's why no protests against the falsification of the elections should be expected. Even those who might want to are not likely to protest whilst bearing in mind the repression after the protests of December 2010. Moreover, Belarusians don't perceive parliamentary elections to be important, which is why they will not risk their private life and professional career to protest the results.

During the coming years, any reforms aimed at economic liberalisation should not be expected. Although economic statistics are getting worse, Belarusian authorities are not planning even small reforms, which could improve at least some branches of the ineffective Belarusian economy, such as chemical production and engineering. Using the still fragile situation of the Belarusian economy, the Russian government will continue to strive for an even greater subordination of Belarus, both politically and economically. This is proven by Russian pressure on Belarus to establish joint-venture companies and create supranational bodies within the Common Economic Area or the planned Eurasian Union.

No new warming of EU–Belarus relations should be expected, at least for the time being, until all political prisoners are released from prison. In as much as the Belarusian authorities do not change their attitude to the elections and create equal conditions for all candidates, the EU will not consider the upcoming vote to be free or fair. At the same time, the situation with the elections shows that the long-term challenge for the EU remains how to support independent actors (think tanks, free media and NGOs) in their efforts to develop civil society. This support will be crucial, especially if the Belarusian regime exacerbates its policy of repression towards its citizens after the elections.