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BISS proudly presents a new issue of the *BISS Trends* series of quarterly reports. We traditionally focus on five major trends: 1) political democratization/political liberalization; 2) economic liberalization; 3) quality of governance and rule of law; 4) geopolitical orientation; and 5) culture policy. The period under review covers April, May and June 2012. The report contains expert reviews and opinions based on event analysis and process tracing.

The structure of the *BISS Trends* report is as follows:

- 1) Executive summary of the report;
- 2) Description of each of the five trends;
- 3) The catalogue of events, facts, changes that the experts used to evaluate the trends.

When presenting their trend reports, the authors are supposed to keep to the pattern below:

- Was the forecast provided in the previous issue of *BISS-Trends* accurate?
- Justification for the new trend;
- Description of the key event(s) that defined the trend;
- Description of additional events;
- Description of events that contradict, but do not change the trend;
- Brief forecast for the next quarter;
- Brief forecast for the year.

Symbols used in the report:

- ▲ Progress (upward trend)
- No change
- ▲ Minimum progress
- ▼ Minimum regress
- ▼ Regress (downward trend)

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EXECUTIVE SUMMARY

In the *second quarter* of 2012, Belarus continued its efforts to integrate with Russia against a somewhat warmer backdrop of relations with the West and intensification of relations with developing nations. The sources of potential conflicts in Belarusian-Russian relations are obvious; however, negative trends have been blocked so far by the important status of the Eurasian Union project on Russia's agenda. Despite a certain thaw in Belarus' relations with the European Union, the degree of repression and limitations on the freedoms of association and assembly never went down. Therefore, the situation remains unchanged in the *political de-mocratization/political liberalization* segment, i.e. stagnation goes on. The looming election campaign has not caused any quality breakthrough in the scale of repression. At the same time, the expectations that more political prisoners would be let go after presidential candidate Andrei Sannikau was released never came true.

In the *economic sector*, the keynote for the quarter was the vector of the monetary policy pendulum – whether the government will ease its harsh policy or keep the things as they are, so that enterprises will have to get used to operating amid budgetary restraints. What we observe now is the choice of the latter option, which is why the quarterly liberalization trend is assessed as “minimum progress.” On the other hand, the authorities have given up on the old approach to privatization processes, sliding back to a less transparent and much slower method. The unique opportunity to liberalize prices while avoiding a price hike was missed as well.

In the *quality of governance and rule of law* section, we record no change. The “manual control” of the economy remains; critical decisions are passed as decrees and ordinances of the president, and the official mass media seem to have forgotten liberalization rhetoric.

Geopolitically, there is obvious imbalance in Belarus' foreign policy, which is biased towards Russia, while the relations with the European Union remain consistently poor. The return to the old habitual subsidies scheme for Belarusian-Russian relations enables Minsk to defy the conditions that the EU lays down to improve the mutual relations. At the same time, the Belarusian authorities had appreciably narrowed their anti-Western rhetoric in official statements and the media by the end of the previous quarter.

Finally, despite some positive developments, the *culture trend* keeps demonstrating the continuous politicization and ideologization of the culture life, as well as polarization of the culture sector of Belarus and depreciation of the culture products that constitute the official discourse. ■

Trend 1

Political liberalization / political democratization:

— no change

Was the forecast provided in the previous issue of BISS-Trends accurate?

The prediction that stagnation of the liberalization/de-liberalization and democratization indicators would continue proved to be accurate. The forthcoming parliamentary elections have not become reason enough to ease repression or limitations imposed on the freedom of associations and the freedom of assembly or introduce any perceptible changes to the administration of the election legislation. On the other hand, there was no serious increase in repression or sliding to the level of the undeclared “state of emergency,” like it happened immediately after the presidential election in late 2010 and early 2011.

Justification for the new trend

It appears that the short-term spring revitalization of the country’s socio-political life in the wake of a certain stabilization of the degree of repression and active interaction of political entities concerning their future parliamentary elections efforts will not be enough to draw attention of wider population to politics. The election date has been announced, but the democratic community has no coordinated vision of the way to make the most of these elections, whereas tight controls of the election campaign will enable the authorities to maintain the low, preventive repression level, without escalating sanction against political opponents and civil protesters.

Stagnation of the political liberalization/democratization indicator will likely persist in the medium term and may only be upset by the factors originating beyond the national political system (external political environment, social consequences of the new wave of the economic recession, etc.).

Description of the key event(s) that defined the trend

Paradoxically, while acknowledging stagnation of the country’s political life and resulting routinization of repression, we designate the official start of the campaign to elect deputies of the House of Representatives and members of the Council of the Republic to be the key event that determined the trend. It is this development, evoking contradictory estimates while remaining predictable and controllable by the authorities, that dominates the trend under review.

The elections to the lower house of parliament, the House of Representatives of the National Assembly, will be held on June 18, 2012 pursuant to presidential decree No276. The first round of vote is scheduled to take place on September 23, 2012, whereas the second round of elections

will have to be held on or prior to October 7, 2012 where necessary. The forthcoming parliamentary elections will become the first elections to comply with the new version of the Electoral Code adopted on January 4, 2010. The local councils elections and, most of all, the presidential elections of 2010 demonstrated that the amendments to the Electoral Code allow a bit more room for campaigning, but do not suffice to prevent infringements on the principles of free and fair elections.

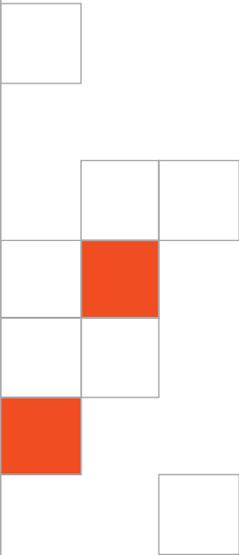
The new regulations that will be trialed in the framework of the parliamentary elections include simpler campaigning procedures, including rules for stations collecting signatures and meetings of candidates for seats in the National Assembly with their voters. The new version of the Electoral Code also allows forming individual electoral money funds, holding candidates’ debate and sets quotas on the involvement of representatives of political parties and public organizations in election commissions. However, as against the previous parliamentary elections, the new Code bans contributions to electoral money funds by companies with foreign investments and entities that have received foreign grants.

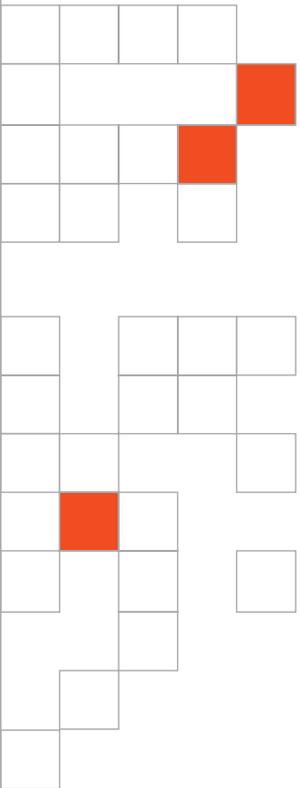
Another peculiarity of this fall’s campaign is that it will be held amidst repression and in the wake of the most recent presidential election campaign and developments that followed the December 19 ballot day. Also new will be the intention of some opposition candidates to boycott the elections or withdraw the candidacies of their nominees during the final phases of the campaign unless the authorities release political prisoners or improve election procedures.

Description of additional events

Political prisoners are still behind the bars. The criminal case against journalist Andrzej Poczobut that was opened after the election campaign had been called indicates even tighter measures to intimidate the independent media. The period under review saw preventive arrests of youth activists preparing for the *Chernobyl Path* march and also ahead of the visit of newly elected President of Russia Vladimir Putin.

The authorities keep impeding everyday operation of civil society organizations while denying them the right of assembly. The Assembly of Democratic NGOs and the Movement For Freedom have been faced with refusals to lease office premises. At the same time, the Belarusian Association of Journalists held its congress, and the Assembly managed to hold its reporting and election congress in Minsk, albeit a month later than originally planned.





Members of human rights and other public organizations are still under pressure, and the same holds for members of political parties – they are denied foreign travel and get sentenced to administrative arrests of up to 15 days on wrongful charges based on false evidence of the police. One case standing out is that of Aleksei Pikulik, the director of the Belarusian Institute for Strategic Studies (BISS), whose passport was confiscated in April on suspicion of forgery. The political expert then faced administrative arrest on charges of disorderly conduct based on false testimonies of police officers.

Limitations on foreign travel apply to a few human rights activists and civil activists, including the head of the Public Organization Belarusian Association of Journalists Zhanna Litvina, heads of the Republican Public Organization Belarusian Helsinki Committee Aleh Hulak and Harry Pogonyajlo, and deputy director of the Human Rights Center Viasna Valentsin Stefanovich.

New financial claims have been filed against the imprisoned human rights activist Ales Belyatski; he has been subject to disciplinary sanction, which leaves him beyond the framework of the presidential amnesty decree timed to Day of Independence of July 3.

The House of Representatives has approved amendments to the Code of Administrative Offenses. The new article “Illegal conduct of public

opinion polls” introduces administrative liability for carrying out unsanctioned public opinion polls, which represents a real threat to independent sociologists.

Description of events that contradict, but do not change the trend

The release of the former presidential candidate Andrei Sannikau and member of his election campaign team Dmitri Bondarenko was interpreted as a signal that more political prisoners could be released, but those hopes never came true. The authorities authorized the *Chernobyl Path* march, which, unlike Freedom Day in March, resulted in arrests, including those preventive, of dozens of people.

Positive changes in the work of observers at the coming parliamentary elections include the new right of the steering bodies of political parties and public organizations to assign observers to all polling stations irrespective of the place of registration of their organization’s units. During the previous election campaign, this matter was debated and caused misunderstanding, which called for additional explanation. On June 19, head of the Central Election Commission Lidziya Yarmoshyna promised reporters that “OSCE observers will be present at the parliamentary elections,” but did not elaborate as to the specific timeframe for their work in Belarus, referring to the Foreign Ministry, which sends out invitations. ■

Brief forecast for the next quarter

Unless there is a quality breakthrough in the protest activity in Belarus or some unexpected moves by opposition organizations (both those participating in the election campaign and those boycotting the elections), the indicator will remain stagnated during the next quarter as well. At the same time, one should expect harsher preventive measures to intimidate civil society, but without taking repression to a new level or reanimating the practice of mass arrests. Repression and restrictions will remain at the preventive level, and no emergency repressive measures will be called for.

Brief forecast for the year

It is the predictable and languid nature of public life during the parliamentary election campaign amid preventive repression that is capable of reintroducing the European factor into the Belarusian political life in the fourth quarter. In this case, it will facilitate further reduction in repression. A predictable election campaign that will follow the agreed scenario and will remain mundane, unobserved by the broad public and controllable by the administrative resource, will benefit all of the political actors of the country, both the authorities and the opposition, including the agents boycotting the elections and encouraging political activism abroad. In all appearances, the elections will not have potential for normalizing the situation in the country and getting it onto the liberalization track. However, it is still an open question whether the election campaign will become an obstacle to such a liberalization effort in the future.

Trend 2

Economic liberalization:

— ▲ minimum progress

Was the forecast provided in the previous issue of BISS-Trends accurate?

Overall, the forecast provided in the previous report proved to be accurate. The government not only failed to boost privatization processes, but also seems to resist privatization, especially that of larger enterprises. Consumer inflation was registered at an average rate of 1.5% a month. At the same time, the original economic targets were not met. The U.S. dollar buys more than Br8,000; however, the depreciation of the national currency is in effect a positive trend for the economy, because a stronger ruble would mean a poorer balance of payments. The refinancing rate kept falling, but never dropped below 30% (32% since June 20).

Justification for the new trend

The second quarter was marked by macroeconomic stability and a current account surplus. A positive liberalization indication is that the government and the central bank managed to resist the industrial lobby and maintain tight monetary policies.

The NBB kept monitoring domestic businesses and reported that more directors of enterprises mentioned improvements in the current standing. This was mostly due to the increased financing of state programs and reduction in lending rates. The response of Belarusian households to the slight depreciation of the ruble indicates that certain mistrust in the NBB still remains, but the macroeconomic situation is stable enough to prevent the potential negative economic consequences of the momentary panic. Apparently, politically, the authorities are not ready to allow rapid privatization of state enterprises, especially the flagship companies. The privatization of state-controlled giants is the last defensive line of the national economy that the administration of the country will hold "to the bitter end." This is the only thing letting them feel in control of the situation. The government was ready to employ administrative price controls, but there was no major interference due to changes in monetary strategies, which is confirmed by analyses of the consolidated and core inflation indices. During the quarter in question, the state made almost no use of the administrative levers to regulate prices, and if they were ever employed, they did not play a major role.

Politics keeps shaping the economic processes in the country. In April-June, the leading exporter and importer of arms and military equipment Beltech-export, which has been included in the blacklist of companies subject to the EU sanctions, was sold to Russian businessman D. Gurinovich. There have also been reports about the change in the

jurisdiction of Soyuzkali fertilizer trader. Earlier amidst the political conflict between Belarus and the EU, the potential arranger of BelAZ's IPO Deutsche Bank refused to cooperate with the Belarusian authorities. The move froze the country's pilot IPO project and stripped the truck maker of chances to have a fair market evaluation of its assets.

Description of the key event(s) that defined the trend

The meeting in the government addressing privatization issues on March 30 put an end to privatization lists, an approach initiated in 2009, when Belarus was on its way to consolidating its engagement with the International Monetary Fund. The government was also preparing a special privatization list of seventeen enterprises worth a total of USD2.5 billion with a view to meeting its commitments to the EurAsEC Bailout Fund in the framework of a loan agreement, but President Lukashenka rejected the list-based privatization pattern. He as good as reintroduced the old mechanism, where each privatization deal is approved personally by the president. This means that the privatization process will be less open, less transparent and slower than prior to March 2012.

The draft Industrial Complex Promotion Plan for the period to 2020 lacks structural economic reforms. The document enumerates investment projects currently under consideration in specific branches, industries and companies. The Plan indicates that at least by 2020 the government plans no serious modifications in its industrial complex.

In early May, Deputy Industry Minister P. Utsyupin told a plenary session of the Belarusian Industrial Forum that the government had plans to create twelve holdings in the country. Specifically, holdings are supposed to be established on the basis of MAZ, Minsk Motor Plant, Amkodor, BelAZ, Belstankoinstrument, Electron, etc. Instead of structural reforms, Belarus seems to be obsessed with a holding-mania. It appears that privatization projects are planned to be sold not as separate links of a production chain, but as entire chains. This approach imitates structural reforms, for it effectively conceals the inefficient system of cross-subsidies within a single economic agent without restoring the internal price structure.

Description of additional events

In April, officials at the National Bank and the Finance Ministry attended the Spring Meetings of the International Monetary Fund and the World Bank, although previously they only attended

the Annual Meetings in autumn. It seems the Belarusian authorities seek to expedite the consideration of their application for a new loan from the IMF. *First*, Belarus is ready to give up on the rest of the EurAsEC loan installments should the Bailout Fund persist with tough privatization terms. *Second*, next year the country will have to spend USD3 billion to service its external debt, so assistance from the IMF might come in handy.

In conditions of rigid monetary policies, consumer inflation has slowed, and the government got a rare opportunity to liberalize prices without a new price hike. However, since the authorities have been cutting interest rates, the ease of price controls might eventually push prices higher. As a result, the procrastination of the liberalization process makes the decision less and less likely.

Description of events that contradict, but do not change the trend

Two positive decisions, albeit with limited application, are the ruling on the establishment of the Chinese-Belarusian Industrial Park and Decree No.6 to encourage entrepreneurship in rural areas and small towns. Both documents encourage investments, but are restricted to specific locations, i.e. officials seek to retain their right to choose contenders for the offered preferences, thus building up their influence.

Unlike the failed pilot IPO project of Borisov Medical Preparations Plant, the people's IPO of Minsk Sparkling Wines Plant was quite successful. Of the 240,000 shares put up for sale, 164,704 shares were sold to investors for a total of Br28.239 billion, 68.63% of the entire share issue. Individuals bought most of the shares, 82.2% of the total. ■

Brief forecast for the next quarter

The role of state regulation of the exchange rate and prices will likely grow, but there will be no going back to the fixed exchange rate and administrative pricing mechanisms. In autumn, the authorities will probably set the price control mechanism in motion to address the seasonal consumer price increases traditionally observed in September and October.

By the end of the third quarter, Belarus might resume its cooperation with the IMF and get it to consider the formal application for a new loan program. In this connection, the country will likely sign a memorandum with commitments to pursue tight fiscal and monetary policies.

Brief forecast for the year

The political decision to resist privatization as far as practicable will likely dominate. The country will slip back to pre-crisis practices, increasing control of the exchange rate and prices. The refinancing rate will be consistently reduced by the end of the year towards 23-24%.

There are few prerequisites for major economic setbacks, but external risks appear to be quite real. Should the situation in foreign markets markedly deteriorate, Belarus may be in for a small foreign trade deficit again. The administration of the country will not be able to significantly increase wages by the end of the year without modifying its exchange rate policy, which might result in serious risks for the entire economy.

Belarus will be phasing down the volume of export duties on refined oil that it fails to transfer to the Russian budget, but the scheme will remain, as it results in tangible profits and is used as a loophole in the Russian legislation, including by Russian traders themselves.

Trend 3

Quality of governance and rule of law:

— no change

Was the forecast provided in the previous issue of BISS-Trends accurate?

The forecast presented in the previous report was mostly accurate: macroeconomic and social consistency as a rule does not cause changes in trends; therefore, the trend remained unchanged.

Following the law-making plan for the quarter, the parliament passed the bill on state procurement contracts, which illustrates efforts to upgrade Belarusian legislation towards the standards of the Common Economic Area (CEA) and the World Trade Organization (WTO), albeit subject to some peculiarities. New initiatives to improve investment regulations result in additional preferences applied to selected investors, like it happened to the Chinese-Belarusian Industrial Park.

Justification for the new trend

The second quarter displayed yet again the prevalence of “manual control” of the country and the economy. Important decisions are made with the approval or personal consent of the president. The most important development of the three-month period in question is the adoption of new decrees and ordinances of the president.

By mid-2012, the official media seemed to have forgotten the previously advertized liberalization rhetoric and Directive No.4, which used to be so popular in 2011.

Therefore, the “*business as usual*” practice continued throughout the second quarter of the year. There were no events drastically changing the trend; therefore, the dominating “*absence of change*” trend remained in the quarter under review.

Description of the key event(s) that defined the trend

The presidential decree on the establishment of the Industrial Park between China and Belarus envisages the creation of a new 8,000-hectare territorial unit with a special status in Smolevichi District. The regulatory framework for the Chinese-Belarusian Technopark combines the components of a free economic zone and the Park of High Technologies, located in the capital city. The Park will be managed by an administration established by the Council of Ministers of Belarus and a special-purpose Chinese-Belarusian vehicle that will be responsible for the development of the Park. Companies registered in the Park will be offered tax benefits and other preferences for a period between 10 and 20 years. Official press releases make it clear that preferential treatment

will primarily apply to larger investors. The very fact of the creation of such an investment platform is a positive development; however, in the context of the entire country the project does not improve the quality of governance and administration of law and produces no positive impact on the country’s investment climate.

Description of additional events

The second quarter proved to be quite uneventful for the “quality of governance and the rule of law” trend. A noteworthy development is the bill “On State Procurement” passed by the two chambers of parliament in late June, which envisages uniform state procurement operations with mandatory electronic reporting and registration in electronic document management systems. The main peculiarity of the state procurement scheme for Belarus is the set of preferences for domestic producers, small and medium-sized enterprises and the right of the president to decide on the winner of procurement tenders in each specific case. Therefore, the country has formalized not only the new, better-regulated state procurement procedure, but also preferential treatments of selected categories of providers.

Description of events that contradict, but do not change the trend

In May, the president signed Decree No.6 “On promotion of entrepreneurship in medium-sized and small towns and in the countryside,” which grants tax incentives and other preferences to companies registered and operating in rural areas for seven years. The decree, which was previously broadly advertized in the state media as an investment breakthrough, came into effect on July 1, 2012. There are reasonable doubts, though, that the decree will bring about an inflow in investments and construction boom in the Belarusian countryside. A much likelier outcome is that exiting companies will transfer some of their assets to rural areas. The liberalization nature of the decree will thus be neutralized by the administration of the law.

The decree “On addressing system” is another example of a positive initiative in the campaign to create a unified register of administrative procedures and implementation of the program “Electronic Belarus.” The decree is designed to simplify the system of address allocation and rule out instances of recurring addresses for various properties. ■

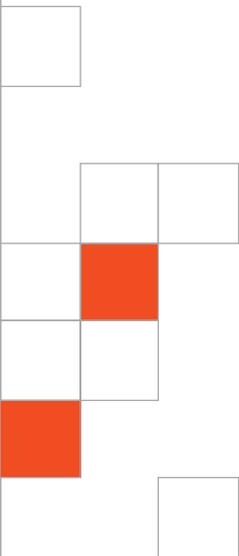
Brief forecast for the next quarter

Belarus will likely preserve its macroeconomic and political stability, thus keeping this trend unchanged against the backdrop of lasting energy subsidies from Russia and lack of any massive economic sanctions from the European Union. The authorities are lacking incentives to open the “liberalization tap,” because the flows of liberal initiatives pose the risk of undermining the foundation of the existing regime.

Brief forecast for the year

Enjoying significant energy subsidies from Russia, Belarus sees no reason to alter the existing governing methods or introduce liberalization reforms.

The “manual control” practice will remain, i.e. all more or less meaningful decisions, including those to provide specific preferences to a specific economic agent, are taken personally by the president. In this context, there are no reasons to believe that law administration and protection of private property will enhance in the longer term.



Trend 4

Geopolitical orientation

Pro-Russian vector: ▲ progress

Pro-European vector: ▼ regress

Was the forecast provided in the previous issue of BISS-Trends accurate?

The forecast proved to be accurate; the trends described in the previous BISS Trends issue still remain. The Belarusian administration eagerly follows the cues of Russia's foreign policy, whereas its relations with the European Union remain consistently poor.

Justification for the new trend

The conspicuous imbalance in the country's foreign policy remained throughout the second quarter of 2012, with an obvious bias towards Russia. The return to the old subsidy-fueled pattern of mutual relations was confirmed during the visit of Russia's President Vladimir Putin to Minsk. That visit demonstrated the importance of Belarus as Russia's ally on the one hand and Russia's readiness to pay for these relations on the other hand.

At the same time, the Belarusian authorities took steps to de-escalate the conflict with the European Union. The diplomatic crisis had been overcome by the end of April, when EU ambassadors got back to Minsk. However, overall, the conflict nature of the relationship never changed, and the bilateral relations remain frozen.

Description of the key event(s) that defined the trend

The conduct of the Belarusian side was marked by three peculiar features in the second quarter of 2012. *First*, neutral and even positive remarks about the European Union appeared in statements of Belarusian officials and the official media. The starting point was the conference on foreign policy that the president held on April 5. During that meeting A. Lukashenka noted that Belarus' response to the policy of the EU must be "gallant" rather than "hawkish." Foreign Minister S. Martynau said that Belarus was not interested in escalating the conflict with the European Union. *Second*, Belarus was seeking support from its partners in the Common Economic Area (CEA) and other integration bodies. The governments and official spokespeople for Russia and Kazakhstan, the Union State of Belarus and Russia, the Eurasian Economic Commission and the Collective Security Treaty Organization made critical remarks about the sanctions imposed by the European Union against Belarus. *Third*, official Minsk was making active attempts to lobby its interests via business associations of the European Union

member-states, primarily Latvia and Lithuania. Novopolotsk played host to a Belarusian-Latvia forum of twin towns, and Grodno hosted a Belarusian-Lithuanian and Belarusian-Finnish forums. Topping the agenda for those events was the discussion of the negative impact of the EU sanctions on the promotion of collaboration in the economic sector. Simultaneously, some business communities and trade unions of Latvia and Lithuania voiced a similar position to their governments.

Official Minsk on April 14-15 gave in to the demands of the European Union and released two political prisoners, Andrei Sannikau and Zmicier Bandarenka, which paved the way for the resolution of the diplomatic crisis, which occurred in late February. Belarusian Ambassadors to Poland and Belgium Viktor Haisyonak and Andrei Yeudachenka on April 25 returned to their offices, while previously recalled heads of the diplomatic offices of the EU member-states in Belarus got back to Minsk.

On May 8, President A. Lukashenka delivered his annual address to the Belarusian nation and the parliament. In his speech, Lukashenka called the European Union "one of the most important vectors for Belarus" and commended European diplomats for making adequate reports about Belarus even in the heat of the diplomatic crisis: "They kept saying that the country is beautiful, people are good-natured, streets are safe, you can recreate here, it is a civilized European country, just as good as Germany or any other country." President Lukashenka also reiterated that the rest of the political prisoners could be released under an amnesty ruling timed to Day of Independence of July 3.

Another proof of official Minsk's willingness to improve its relations with the European Union is the proposal of the Belarusian government to the European Bank for Reconstruction and Development (EBRD) to work out a new development strategy for this country. Belarus has invited EBRD governors and specialists to Belarus in order to provide them with "ample opportunities to evaluate the situation in the country."

At the same time, Belarus pegged itself tighter to Russia because of the return to the subsidized engagement pattern. Belarus plays a key role in Russia's plans to eventually create the Eurasian Union and involve Ukraine in the integration orbit. Belarus becomes an even more significant ally of Russia in the context of the inability of both Russia

and the United States to come to terms over missile defense systems.

On May 31, Vladimir Putin, the re-elected president of Russia, arrived in Minsk. That was his first foreign visit as the newly elected head of state, which is why the Belarusian media interpreted it as a confirmation of the paramount importance of Belarusian-Russian relations to the Russian administration. During the visit, Belarus and Russia concluded a few agreements that were critical to Belarus: Putin confirmed his promise to provide the next USD440 million installment of the original EurAsEC Bailout Fund loan (the money was transferred to Belarus on June 15) and pledged to extend the first USD240 million installment of the Russian state loan to finance the construction of Belarus' first nuclear power plant.

Vladimir Putin also said that Belarus pursued a reasonable economic policy, adding that Russian assistance to Belarus had amounted to USD5 billion over a short period of time, and the natural gas fee for Belarus was reduced from USD286 per 1,000 cubic meters to USD165 in 2012. The statement about joint efforts to withstand "attempts to interfere in the internal affairs of the Union State members, participants in the CEA or put them under pressure by using restrictive measures or sanctions" sounded as a signal to the West that the Kremlin planned to keep backing Minsk both economically and politically.

Description of additional events

Following V. Putin, other high-ranking Russian official visited Belarus, including chairwoman of the Council of the Federation (the upper house of the Russian parliament) Valentina Matvienko and Speaker of the State Duma (the lower house of parliament) Sergey Naryshkin. Those visits were clearly pursuant to Putin's intention to bring the cooperation between the Russian and Belarusian parliaments to a whole new level within the Common Economic Area.

During the reviewed period, the trend towards intensification of contacts between the Belarusian authorities and Russian regions grew stronger. It looked a lot like the 1999 situation, when A. Lukashenka actively advertised himself and his policy in Russian regions hoping to win more points in Russia's political field.

In May, expert working groups started working in the framework of the initiative "European Dialogue on Modernization with Belarus," which was announced by Commissioner Štefan Füle on March 29, 2012 at a meeting with representatives of the Belarusian opposition and civil society in Brussels. The initiative aims at assisting Belarusian society in preparing a package of requisite reforms. Because the Belarusian authorities have failed to meet the basic requirements of the European Un-

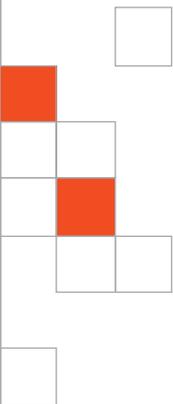
ion, Brussels deems it impossible for Belarusian officials to take part in this initiative. Under the circumstances, it is hard to resolve the problem of the ultimate originator and implementor of the reforms. Nevertheless, the launch of the European dialogue on modernization attests to the fact that the Belarusian issue remains on the EU's foreign policy agenda, albeit it is not a priority for Europe.

Description of events that contradict, but do not change the trend

Despite the strong pro-Russian trend in Belarus' foreign policy, contradictions seem to accumulate in Russian-Belarusian relations. The tensions observed in May and June reached their peak after President Lukashenka responded to the remarks made by Russian Ambassador to Belarus A. Surikov during his press availability. That indirect dialogue indicated problems of the bilateral relations. The Russian diplomat reproached the Belarusian administration for its failure to introduce market reforms, inefficiency of the Belarusian economy and its dependence on Russian subsidies, as well as the failure to meet commitments within the CEA framework and unwillingness to change to the Russian ruble.

Re-export of Russian oil products to the European Union by Belarus documented as solvents and diluters became another sensitive point for the bilateral relations. Belarus is exempted from payment of export duties to the Russian budget when it exports these two commodity items, which are mandatory when the country exports other types of oil products. According to some analysts, the Russian budget suffered losses in excess of USD1 billion. Another serious problem is sales of Belarusian products (especially farm produce) in the Russian market at dumping rates. In the second quarter, Russian dairy producers attempted to start a new milk war against Belarus. However, all of the potential sources of conflicts are currently discouraged by the political need to flesh out the Eurasian Union project, which to V. Putin seems to remain among the chief priorities.

The trend towards de-escalation of the conflict with the European Union is somewhat contradicted by the strengthening of targeted repression against some of the opposition and civil society institutions and selected activists. In late June, the House of Representatives passed amendments to the Administrative Offenses Code, which introduce fines of up to 20 base units (USD240) for individuals and up to 100 base units (USD1,200) for companies involved in conducting unauthorized public opinion polls concerning the sociopolitical situation in the country and publishing their findings. Repeated violations will result in fines from 20 to 50 base units for individuals and from 20 to 200 base units for companies. ■



Brief forecast for the next quarter

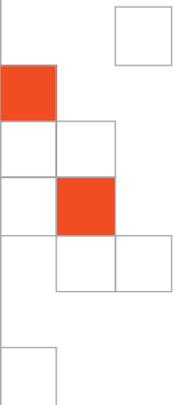
Apparently, the tilt in Belarus' foreign policy will remain for quite a long time, at least until the parliamentary elections. Despite the generosity towards its western ally, Moscow will seek to get the Belarusian authorities to meet its commitments, especially in the economic sector.

In the western vector, the conflict will also last at least until the parliamentary elections. Neither side is ready to make major concessions and expects the opponent to make the first step.

Having learnt from the bad experience of December 2010, European politicians exercise caution and are not ready to pay official Minsk in advance. The Belarusian authorities sense Russia's strong support and do not see the need for bettering the relations with the European Union by complying with its terms.

Brief forecast for the year

The relations with the European Union remain frozen, although both sides will likely make efforts to resume direct dialogue. The current status of Belarusian-Russian relations and level of financial support for Belarus made available by the Russian Federation enable Minsk to ignore the EU's terms for improving the mutual relations. Russian capital will likely penetrate into the Belarusian economy more actively. The policy on the EU, remaining in the shadow of Belarusian-Russian engagement, will depend on Russia's actions and its willingness to honor its agreements with Belarus. Official Minsk will only get back to the policy of balancing between the east and west if the Kremlin puts more pressure on this country and fails to meet its commitments.



Trend 5

Culture policy:

— ▼ minimum regress

Was the forecast provided in the previous issue of BISS-Trends accurate?

Overall, the forecast provided in the previous BISS Trends issue proved to be accurate. The outlined tendency towards de-liberalization of the culture background in Belarus continued. Even though the Culture Ministry denied the existence of so-called “blacklists” of unwanted culture figures, the artists allegedly on that list had no possibility to perform legally.

It appears that the seeming reduction in the number of bans on concerts of such performers is not connected with changes in the policy of the authorities, but rather with the fewer attempts by artists themselves to perform at larger arenas. Musicians seek alternative possibilities to present their creative works – Lyavon Volski and Krambambulya band had a concert in Vilnius, Zmicier Vajciuškievič arranged an underground concert in Minsk, and many bands toured Russia and Ukraine and came up with Internet projects. Furthermore “home concerts,” known from the Soviet times, seem to be back.

As we predicted in the previous BISS Trends issue, the politicization and ideologization of the culture sector continue. The culture products that constitute the official discourse keep depreciating, whereas their types, themes, genres and aesthetics are becoming increasingly limited. The polarization of Belarus’ cultural life became even more conspicuous in the context of the obvious division of culture projects into official, i.e. those supported by the authorities, and unofficial, i.e. those that are at best ignored by the authorities.

Justification for the new trend

The second quarter trend can be defined as gradual de-liberalization of culture processes amid the increasing polarization of Belarus’ culture life. Even more obvious was the division into official culture that enjoys official support and exploits it for political and ideological purposes, and unofficial culture (which not always stands for the opposition), which is banned, ousted from the culture field or consistently ignored.

In the context of continuous tensions in Belarus’ relations with the European Union, Belarus’ culture life has been manifesting signs of closedness, simplism, focus on poor specimens of Russian cultural products (especially Russian showbiz) or attempts to find the unique development path, albeit unsuccessful. The previously declared “mild Belarusization” policy becomes more and more declarative and is very rarely supported by specific arrangements.

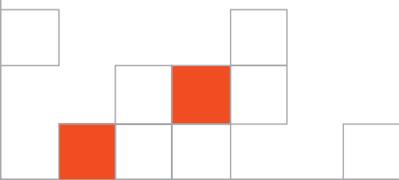
Description of the key event(s) that defined the trend

The main developments of April, May and June 2012 are the projects that traditionally represent the official discourse of contemporary Belarusian culture, namely Belarus’ involvement in the Eurovision-2012 Song Contest and the final phase of the Miss Belarus 2012 beauty pageant.

Yet another major failure of the country at the all-European song contest in Azerbaijan (Lite-sound never made it to the second round, scoring enough points for the 16th spot out of 18 in the first semi-final) brought about a special comment by the president, illustrating his own vision of the nature of creative mind. “We must produce a good show, take a unique artist, make him sing so well that he awes the audience, and let the European community blame itself later for the points it will be giving... But the thing is we blow so much money to have a very poor result,” A. Lukashenka said on May 28 at a meeting with talented youth. This time, Lukashenka did not accuse the West of bias or political motivation of the voting results.

The final stage of the Miss Belarus 2012 beauty contest is traditionally favored by the head of state and is broadly covered in the Belarusian official media. This biennial contest that has been held since 1998 must be connected with the president’s personal preferences. A. Lukashenka was present at the gala show of the contest, along with many high-ranking officials. Also quite ambiguous was the bestowal of the Francysk Skaryna Order, one of the most significant distinctions in the country, to pop singer Philipp Kirkorov. The order, which is normally awarded for tremendous contributions to national cultural renaissance and promotion of cultural heritage of the Belarusian nation, was conferred “for the substantial personal contribution to the development and consolidation of Belarusian-Russian culture ties, as well as for performing mastery.”

The excessive ideologization and politicization of the country’s culture life became obvious during the May tour of the National Academic Yanka Kupala Theater in the UK. The leading national theatre was supposed to showcase one of its best productions, “The Rape of Europa, or the Urszula Radziwill Theater” by Mikalai Pinihin, at the Bloomsbury Theater in London. The show is based on dramas by the funder of professional theater in Belarus Franciszka Urszula Radziwill. The production might have become an important move in presenting Belarus’ national culture abroad; however, the culture tour provided grounds for a new wave of confrontation between official and unofficial Belarusian culture.



On the one hand, the authorities definitely played up the significance of the only performance, calling it a triumph of Belarus' culture policy, if not the most prominent event in Europe's culture life. On the other hand, Mikalai Khalezin, the leader of the Free Theater, operating abroad, made some clearly inappropriate remarks and hurled accusations at the reputable state theater. He called the Kupala Theater tour a "leaflet bomb dating from the Cold War," whose only purpose was to compete with his Free Theater, which participated in the Shakespeare Festival in London at about the same time. As a result, there was no room left for committed professional opinions about the aesthetic quality and messages of the two theatrical projects.

Description of additional events

Belarus' cinema is another culture segment affected by political and ideological motivation. Siarhei Loznitsa's film "In the Fog" competed in the main program at the 65th Cannes Film Festival and won the prestigious FIPRESCI prize of the International Federation of Film Critics. This success was immediately employed by official propaganda to enhance its rhetoric about the outstanding achievements of the state policy in the culture field. Sometimes ideologists forgot that the movie was an international project (Belarus, Russia, Latvia, Germany, and the Netherlands) and called it purely "Belarusian." The short feature "Shoes" by Russian director K. Fam was also presented at the Cannes Festival. The movie was created in association with Belarusian filmmakers.

The Belarusian animated film "Let's be Belarusians" competed in four categories at the 13th Kyiv International Advertising Festival and won the gold and bronze medals. The Belarusian documentary "Bell ringer" won the Grand Prix at an international festival in Slovakia.

Positive culture developments include the project "The Artist and the Town" that celebrates the 125th birthday anniversary of Marc Chagall. The objective of the project is to take the works of the globally renowned Belarus-born artist out of vaults and into the streets to get them closer to people. The previously adopted program "Castles of Belarus" continues to restore Belarusian castles, palaces and mansions. A decision has been made to restore the Dostoyevskys' manor house in Brest Region's Ivanovo District.

The first construction stages of the Art Gallery of the people's artist of Belarus Mikhail Savitsky and the Museum of the Belarusian Statehood (a branch of the National Historical Museum) were completed in Minsk. The show of the Brest Puppet Theater "Kholstomer" based on a Leo Tolstoy

story was named among the best performances at the World Puppetry Festival in China. Dulcimer player A. Dzyanisenya went through to the finals of the XVI International Festival *Eurovision Young Musicians* 2012 in Vienna. The performance was broadcast live by Belarus-1 and Belarus-TV channels. The country also held a series of folk arts festivals and shows.

The "mild Belarusianization" steps identified in the previous report not only failed to continue, but also resulted in the narrowing of the sphere of application of the Belarusian language. It was announced that all records in Belarusian passports would be made only in Russian. The decision on teaching Belarusian history and geography classes in Belarusian is still pending.

Description of events that contradict, but do not change the trend

In April and May 2012, two notable civil initiatives were implemented in Belarus. *First*, the Mogilev History Museum opened a fundraiser to collect money for the purchase of the original copy of the Statute of the Grand Duchy of Lithuania in the Old Belarusian language (1588) from a Moscow collector. This is the first book of this kind for Belarusian book archives. *Second*, the dome of the Nyasvizh Castle Dozornaya Tower (Watchtower), which had been poorly restored, was finally replaced. These two seemingly insignificant events appear to be important milestones in Belarus' cultural landscape, because the authorities demonstrated for what could be the first time ever that they are capable of not only cutting short any public initiative, but also listening, hearing and even supporting it.

Both projects involved fundraising initiatives. The money for the collateral was collected within just three days, while the bulk sum of USD30,000 was offered by Moscow-based Alpari group of companies, which responded to an appeal by the National Bank to support the efforts to procure the book for the museum.

The replacement of the dome was partially financed from contributions of individuals and companies. The Radziwill descendants made a considerable contribution.

The rectification of historical injustice (the new dome and assembly operations) cost Br1.5 billion. The correction of mistakes in Nyasvizh Castle drew the attention of the public and authorities to one of the sensitive issues of contemporary Belarusian culture – the problem of unprofessional restoration operations at facilities recognized as landmarks constituting an important part of the national identity. ■

Brief forecast for the next quarter

The third quarter will be characterized by growing negative trends caused by further de-liberalization of Belarusian culture. One can expect increasing polarization of the country's culture life, appreciable politicization and ideologization of the official cultural discourse, ousting and marginalization of independent actors. The lack or shortage of solid contacts with European culture projects encourages further convergence with Russian products, which, interpreted by Belarusian culture agents, will look increasingly parochial. "Mild Belarusianization" steps might be completely frozen in the longer term.

Brief forecast for the year

Amid the ongoing conflict with the European Union, the authorities will not be making new attempts to include Belarus in the European context. There is a danger, though, that culture products "stew in their own juice" thus gradually losing their development criteria and horizons. As opposed to the European vector, the bias towards Russian culture products may get even worse, resulting in additional borrowing of selected projects, especially in show-biz.

Should negative trends continue in the economic sector, culture financing will likely shrink, at least in the areas that do not traditionally constitute the official cultural discourse. In this case, many alternative cultural projects will be marginalized and pushed outside the conventional culture field. A new wave of "cultural emigration" is possible, when independent actors, especially younger people, will seek possibilities for creative self-actualization abroad.
