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BISS-Trends focuses on five main trends:

The report consists of two parts.

Part 1:

a) Executive summary;

b) Description of each of the six issues. The authors were invited to structure their reports as follows:

· Assessment of the forecast given in the last issue of BISS Trends;

· Justification of a new trend (January-March 2012);

· Description of key events that defined the assessment of the trend;

· Description of additional events;

· Description of events that ran contrary to the trend but failed to affect the overall assessment;

· Brief forecast for the next quarter and next year.

Part 2:

c) The reference catalog of events, facts, changes, based on which the experts assessed the trend (in Russian only).

Symbols used in the report:

▲ progress (upward trend)

— status quo

—▲ minimal progress

—▼ minimal regress

▼ regress (downward trend)

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EXECUTIVE SUMMARY

The first quarter of 2012 can be regarded as a pause before Belarus finally has to address a crucial geopolitical challenge. We have repeatedly brought to your attention that internal processes ongoing in Belarus often derive from modifications in its external policy; therefore, the end of the first quarter saw this country in a position of considerable uncertainty, which is largely due to the impending geopolitical choice of its administration: Belarus will either embark on a multi-vector policy, or aim exclusively at further integration with Russia.

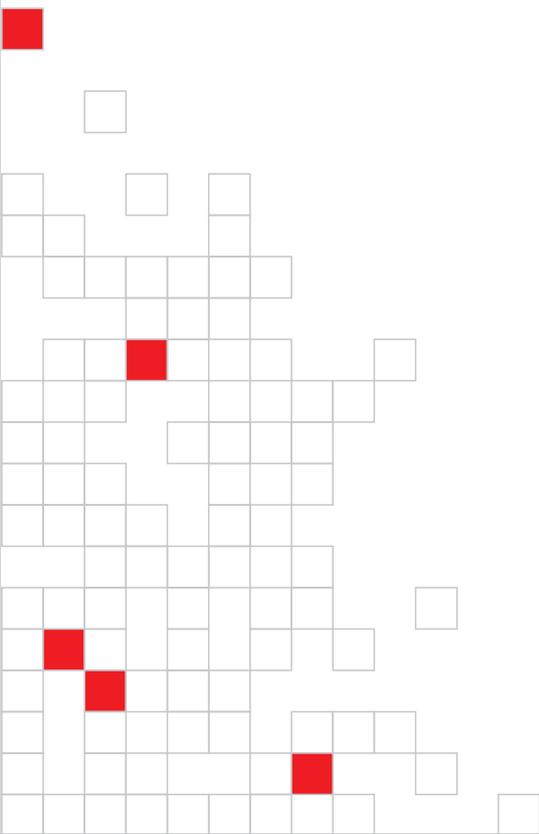
In the domain of *political liberalization/political democratization*, we record the absence of any significant changes. The decreasing number of administrative cases coincides in time with the new wave of repression.

In the two interconnected areas – *economic liberalization and quality of governance and rule of law*, we also record the absence of any serious changes.

The *geopolitical trend* is defined by the strengthening of Belarus' dependence on the Russian vector amid somewhat catastrophic deterioration of Belarus' relationship with Europe.

Finally, the cultural trend demonstrates gradual yet consistent de-liberalization in the Belarusian culture sector.

In which direction Where exactly the Belarusian pendulum will swing depends on how soon Minsk and Brussels will be able to de-escalate the their conflict, and how Moscow will respond to these attempts. All the trends indicated above may show either positive or negative dynamics. ■



Trend 1

Political liberalization and democratization —

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

The forecast that we provided in the previous report was accurate as far as the stagnation of all the components of the political liberalization/political democratization trends is concerned. At the same time, the forecast concerning the dynamic nature of this quiet spell was not confirmed. At this moment, it is hard to say now whether a new wave of political repression will follow or not; it rather looks like we observe the old repressive trajectories (for instance, the new political prisoner, Siarhei Kavalenka, has been convicted for violating the terms of his suspended sentence, passed back in 2010). The process going on now can be called “stagnating (de)liberalization” pending changes in external political factors.

Justification for the new trend

It seems quite likely that the combination of positive signals (for instance, the reduction in the intensity of administrative persecution, the peaceful March 25 event, or messages about the possible release of the political prisoners) and demonstratively intimidating acts of infringing on human rights (the harassment campaign targeting the Belarusian Association of Journalists (BAJ), arrest and force-feeding of prisoner Siarhei Kavalenka, who had gone on hunger strike, and the refusal to revise the sentence originally passed on Ales Byalyatski) has a potential for becoming a long-term trend. The main factor that determines the stability of the Belarusian state is the absence of external political transformations. Later on, during the anticipated election campaign (expected in June-September), internal political factors may once again gain weight.

Description of the key event that defined the trend

On February 24, 2012, the Pervomaiski District court of the city of Minsk sentenced opposition activist Siarhei Kavalenka to 25 months in prison for evading his restraint service. This case was obviously highly politicized and has evoked a powerful response from human rights activists and the West.

This is a landmark event for several a few reasons. *First*, the repression was targeted against an open steadfast opponent of the regime, a member of the Conservative-Christian Party BPF who rejects the very idea of negotiating with the regime, who considers the head of state to be an illegitimate usurper, and who calls for boycotting the election.

Second, the political prisoner originally suffered from political repression in connection with the events of January 7, 2010; his current imprisonment built up on the punishment

imposed on him for the events that took place two years ago, becoming a sort of a sanction for his unwillingness to phase down his opposition activities.

Third, despite the fact that the trial was not open to public and there were numerous obstacles to observers, the authorities did not conceal the demonstrative nature of the case.

Fourth, his punishment involves a prison sentence, and the attempt of a hunger strike was suppressed, as he was force-fed.

Finally, *fifth*, the repressive act is not connected with the elections, boycotting, or mass actions of any registered or unregistered opposition structures. The repression is targeted against an unpredictable and barely controllable opposition activist who opts for independent direct action and is not integrated into the traditional opposition framework. This repression format is deemed typical of the reviewed trend.

Description of additional events

The key event indicated above should be addressed in the context of the reduced number of administrative trials. According to the database of the Viasna human rights center, the number of administrative arrests fell to 14 in the first quarter of 2012 from 55 in the previous quarter, the number of administrative fines fell to six from 35, and the total number of instances of administrative persecution (which includes temporary detention without making administrative protocols or imposing administrative punishments) fell to slightly more than 20 from 105. (We have to remember that the statistics above obviously fails to account for the mass detention of the participants in “Litvin Club” in Minsk on February 8 and the guests of the concert arranged by the “Food Not Bombs” initiative on March 24).

The numerous repressive amendments to the Belarusian legislation adopted back in October 2011 have not been applied by the authorities, including against the representatives of the NGOs that receive foreign financial assistance in violation of the applicable legislation. Nevertheless, the court left the sentence originally handed down on Viasna Human Rights Center head Ales Byalyatski unchanged even after it heard the cassation appeal. Therefore, during the ongoing stagnation phase, the repressive agencies seem to be giving a higher priority to exemplary repressive acts and demonstration of their uncompromising attitude rather than mass repressive acts. An illustrative example is the negative coverage of the activity of the Belarusian Association of Journalists (BAJ) in the state propaganda media: the accusations of receiving foreign financing were accompanied by the footage of many financial documents on a major television channel; however, neither criminal, nor any other sort of proceedings

followed – the authorities restricted themselves to propaganda hoopla.

The Party Belarusian Christian Democracy was predictably denied registration (the entity has been denied registration as a legal entity for the sixth time and as a political party for the fourth time).

During the reviewed period, 15 prisoners sentenced for their political and public activities still remained behind the bars.

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

The few events that indicated a certain mitigation of the limitations of human rights cannot be effectively opposed to the declared trend because of its contradictory nature and inconsistency. At the same time, the reserved attitude of the authorities to the mass event arranged by the Belarusian opposition on March 25 is worth mentioning: as opposed to the year 2011, the organizers were allowed to guide the

march along the declared route; the police behaved properly (although there were preventive arrests of some of the opposition activists).

However, other events and rallies that the opposition applied for on the same day were not authorized; therefore, the March 25 event does not change the overall restrictive attitude of the regime towards the mass events initiated by opposition-minded citizens.

The termination of the criminal trial of three members of the BPF Party Soym, which was launched in the summer of 2011, should not be interpreted as a positive signal. The few positive manifestations pertaining to the activity of the legal structures of the political opposition and civil society (the registration of the legal address of the BPF Party in its new office at 3 Chernyshevsky Street; state registration of Shegomedconsult, a new independent entity that appealed against the decision of the local authority to deny its chosen name, also fail to change the overall climate. ■

Brief forecast for the next quarter

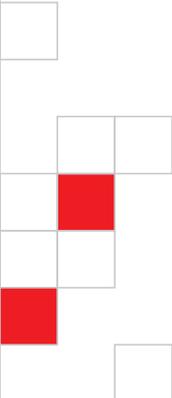
As was mentioned above, the general stagnation and the combination of positive signals and intimidating freedom-restraining acts may form a long-term trend, which will continue in the next quarter. In this case the “landmark” events (release of a political prisoner, refusal to register a political party or a civil association) will disguise the absence of truly significant adjustments in some key indicators.

This lack of real progress may eventually grow into a new form of the absence of any clearly defined campaign to harass the opposition, leading to further reductions in the number of administrative persecution instances (detentions and administrative punishments in the form of fines and arrests for the violation of procedures for holding mass actions). The attitude the authorities will take towards the April 26 Chernobyl Path march will be indicative – if it repeats the pattern of the March 25 event, then the trend will be confirmed.

Brief forecast for the year

If this stagnation proves to be long-term, then, during the second half of the year, the activity of the political opposition will become the chief factor capable of altering some of the components of the liberalization/de-liberalization trend (this mostly concerns the possible sanctions for protests and limitations on the freedom of speech, but not the freedom of associations). In this respect, a more active campaign for boycotting the elections or for the participation of some part of the opposition in the parliamentary elections might provoke a slight increase in de-liberalization indicators. However, this trend will hardly last long, and after the election campaign has been completed, the situation will get back to the equilibrium observed in spring with a slight tendency towards a slow improvement.

It seems that the forthcoming parliamentary elections will not turn into a factor strong enough to change the situation in the country. This is to a great extent due to the opposition's tactics of ignoring the elections, which will enable the authorities not to make full use of the repression machine, but instead focus on the mobilization, propaganda, and administrative mechanisms in order to secure the desired results of the election campaign.



Trend 2

Economic liberalization —

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

In the previous BISS-Trends report, we expected Belarus to achieve economic stabilization in the first quarter of 2012, i.e. not only reductions in inflation and depreciation expectations, but also a slower GDP growth rate in connection with tightened economic policies. Furthermore, we believed that real incomes of Belarusian households would not increase in the first quarter of 2012 on year-on-year terms. The forecast proved to be accurate.

Justification for the new trend

The authorities managed to temporarily balance the economy without structural reforms relying solely on external funding and arrangements.

In the previous issue of BISS-Trends we mentioned the agreements with Russia signed late last year (including the Declaration on the Eurasian Economic Integration, contracts to sell a 50% interest in OAO Beltransgaz to Russia for USD2.5 billion and concessional natural gas price, agreements for Belarus to borrow up to USD10 billion for the construction of its first nuclear power plant and a USD1 billion loan to Belaruskali against the security of a 51% shareholding in OAO Naftan oil refinery). Under the gas agreement, Belarus will be paying USD166 per 1,000 cubic meters of natural gas in 2012, which represents a 40% discount from the previous year. The new price will enable Belarus to save about USD3 billion this year (as against the situation when it would have to pay the market price, but keep the 50% interest in OAO Beltransgaz to itself). To compare: Lithuania was paying USD356 per 1,000 of natural gas in the first quarter, Ukraine USD416, and Poland USD485.

Under the oil agreement, Russian crude oil exporters to Belarus will reduce the oil price premium between the prices effective for Russian and Belarusian consumers to USD15 per tonne from USD46, allowing Belarus to save another USD600-650 million this year alone. The Russian energy grant to Belarus has therefore reached the scope of the blessed early 2000s.

The improved terms of trade, meaning a more favorable ratio of export prices to import prices, resulted not only from the gas and oil trade benefits, but also the growth in crude oil prices in the global market, which almost reached all-time highs (on March 30, a barrel of Brent blend was traded at USD123), as well as the increase in prices for ferrous metals, potash and nitrogen fertilizers. Compared with the start of 2011, when Belarus had no oil agreements with Russia, early 2012 saw a substantial increase in deliveries of both crude oil and oil products.

In January and February 2012, Belarus reported a

foreign trade surplus, thus resolving one of the chief problems that caused the currency crisis; however, it succeeded largely due to the external factor, paying a part of its sovereignty for the foreign rent.

Both the government and the National Bank pursued relatively harsh economic policies during that timeframe. The Finance Ministry limited the financing of preferential construction programs, introduced tighter credit discipline requirements when considering other state programs and secured a balanced state budget implementation. The National Bank restricted the growth in money supply and started bringing down interest rates only as late as mid-February, when inflation expectations grew weaker.

The said factors indirectly contributed to narrowing external disproportions.

Description of the key event that defined the trend

The economic situation has stabilized, but the authorities failed to embark on liberalization. This was confirmed on March 5, when, following another visit to Minsk, head of the IMF mission to Belarus Chris Jarvis said that the Fund did not see possibilities for signing a new stabilization program with Belarus that would help refinance the government's debt to that international institution (USD3.8 billion). Jarvis said the new program required political will, which Belarus did not have. Furthermore, it was reported that resident representative of the International Monetary Fund in the Republic of Belarus Natalia Koliadina would leave her post in April, and there were no plans to appoint a new permanent representative, as it made no economic sense.

In 2012, the Belarusian government will have to pay USD1.78 billion to service its foreign debt, about 3.3% of its GDP. In 2013-2014, the country will have to pay more than USD3 billion annually. However, in 2012, Belarus will only receive two EurAsEC loan installments totaling USD880 million. Instead of putting in place structural reforms, which should include steps to liberalize prices, give autonomy to the National Bank, privatize inefficient state assets, improve the country's business climate, the authorities have taken a lengthy pause and keep marring the already poor image of the country. The diplomatic crisis with the EU, which worsened in March, will obviously discourage the few potential investors. As a result of the scandal in March, yields on Belarus' five- and seven-year bonds rose by 0.5 of a percentage point to more than 10.5%.

In accordance with Belarus' arrangements with the EurAsEC, this country is supposed to privatize at least USD2.5 billion worth of state property in 2012. The State Property Committee plans to put up for auction more than 100 enterprises, mostly

those that were not sold in 2011. However, in the first quarter, there were no more or less important deals with foreign investors. It is not clear what the government hopes for, given the fact that last year, only 38 companies were sold out of more than 180 enterprises available at auctions, and privatization proceeds totaled about USD25 million. The authorities had to sell the remaining 50% in OAO Beltransgaz to meet their commitments to the EurAsEC.

Many issues remain undecided. One disputable point is the asset valuation methodology; it is not clear how to interest a foreign investor, how to overcome the unwillingness of the executives of state-controlled entities to cooperate with potential investors, etc.

The short-sighted policy of the state may bring about a situation, when Belarus finds itself unable to meet its financial commitments and finance the current account deficit, which will not disappear without structural adjustments. There will remain one way out for the country – to sell another measure of state property to Russia.

Description of additional events

In 2012, the positive impact of the ruble depreciation helped reduce the current account deficit to USD5.8 billion from USD8.3 billion in 2011. As a proportion of GDP, current account deficit shrank to 10.6% from 15%, which is still a

dangerous level for economic sustainability, while the positive effect of the ruble devaluation has almost been exhausted. Because the competitiveness of enterprises depends on the real exchange rate, the ruble depreciation effect on Belarusian exporters was neutralized by rapidly growing prices back in late 2011. In the first quarter of 2012, the stabilization of the Belarusian ruble in nominal terms and rise in prices in Belarus (as well as the outrunning increase in prices in partner countries) resulted in a strengthening of the real exchange rate, which always produces an adverse impact on exporters.

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

During the first two months of the year, the ruble money supply (the M2 aggregate) expanded 7%; in February alone, the increase was reported at 10.5%. This growth was attributed to the increase in time deposits of corporate entities and households denominated in Belarusian rubles due to high interest rates. At the same time, rates remained too high for companies to borrow in order to finance their investments. For their part, banks prefer reducing interest rates slowly for fear of the economy returning to depreciation-inflation spiral. The excessive liquidity that emerged in February indicates the reluctance of the banking system to assume additional risks when the situation remains highly uncertain. ■

Brief forecast for the next quarter

Belarus will likely keep to the policy aimed at further stabilization of the economy in the second quarter of 2012 while refraining from any structural modifications. The authorities were granted a respite owing to the broad Russian support. Prices will keep growing 1.5%-2% a month; the exchange rate will likely remain within Br8,000 vis-à-vis the U.S. dollar. The refinancing rate may be cut to 30% toward the end of the quarter. The trade surplus observed now will turn into a slight deficit. The government will not encourage privatization processes.

Forecast for the whole year

The slow decision-making process of by the Belarusian authorities and general indecisiveness may eventually cause another currency crisis in a year or two and then bring about a full-scale financial downturn that we are currently observing in Greece. There is another, less probable, scenario – which says that the Belarusian authorities will manage to find a common language with the IMF and start a transparent and ambitious liberalization. There is a high probability/likelihood that Belarus will be unable to privatize USD2.5 billion worth of state assets in 2012, contrary to what the EurAsEC expects from it, and will have to seek additional funding to finance the current account deficit of around USD2.5-3 billion (5%-6% of GDP). In that case, Belarus will most likely request urgent help from Russia and will have to give up pay with the so-called strategic enterprises as a form of payment.

Trend 3

Quality of governance and rule of law —

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

The previous issue offered an accurate forecast of the administration's efforts to contain or even phase out liberalization amid the temporary macroeconomic stabilization achieved owing to external capital injections. Following the country's accession to the Common Economic Area (CEA), Belarus has made steps to enhance its antitrust regulations. Overall, the legal regulation of the economic, social and political life in the country has been "mothballed".

Justification for the new trend

"Manual control" remained throughout the first quarter of 2012, taking the form of presidential rulings. Liberalization was suspended, and even liberalization rhetoric disappeared. Directive No.4 is not perceived as the fundamental document determining the evolution of the legislative framework. The participants in the Assembly of Business Circles of Belarus, which took place in late February, regretted to note that the economic regulations of the country failed to correspond to the very spirit of the directive one year after it was officially adopted.

The privatization process has been temporarily frozen; however, because the authorities are aware that the privatization instrument will have to be used in the medium term, a new privatization document is being discussed now. One should not expect the privatization process to become any more transparent once this document has been adopted – the content of regulatory acts does not mean that the authorities will necessarily comply.

The status of Belarusian law administration was amply illustrated by the Minsk metro blast case (April 2011). The case was investigated on a very tight schedule (compared to criminal offenses of this kind, which sanction capital punishment), and the two convicts were executed as early as March 17. The case was investigated and the perpetrators were executed within the procedural framework; however, many observers had complaints about the procedure for law administration by the state authorities.

Overall, the authorities got back to the "business as usual" practice; during the reporting period, the trend should be described as the "absence of changes."

Description of the key event that defined the trend

At the start of the year, the government and the National Bank passed another "policy" document, the *Action Plan to Improve the Investment Climate*. One should welcome any steps to encourage

investments now that the inflows of both foreign and domestic investments have been almost exhausted; however, there are reasons to believe that the Acton Plan will repeat the fate of Directive No.4 and will turn into another set of guidelines that no one will ever keep to. The information about the preparation of another law to improve the operating environment for investors is just one more step on the way towards "codification", i.e. a combination of already existing norms into a single document without introducing anything new. One of the paragraphs of the Action Plan provides for drawing up a list of transnational corporations, with which Belarus will be recommended to map out investment projects.

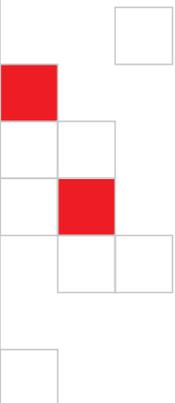
This initiative is yet another example of the "manual control" of all processes in all the spheres of life in the country, in this case, in the attraction of foreign investments. Instead of ensuring a more favorable investment climate and building up the image of the country, which could be enough for investors to arrive on their own, the authorities still have to "issue individual investment invitations."

Description of additional events

The same holds for the statement of the Economy Ministry about the preparation of a package of regulatory documents to sell state property. Streamlining procedures in the privatization regulations is obviously a welcome measure, but there are doubts that the new privatization law will offer equal and transparent rules to all investors equal and transparent rules.

The ruling "On measures to enhance state antitrust regulation and control" is definitely a move in the right direction. The existing system of sanctions imposed on violators of antitrust regulations has been imperfect. At the same time, the right of the Price Policy Department with the Economy Ministry and chairmen of regional administrations to authorize random inspections of economic entities leave room for abuse to the prejudice of the undesirables.

In mid-March, right after the country abolished the Day of Constitution, the state media reported about the execution of the two persons found guilty of the Minsk metro explosion in April 2011, as well as about the decision of the Supreme Court to destroy the evidence. It took less than one year to finish the investigation, complete the trial, consider the appeal, execute the perpetrators and destroy the evidence in what became the most notorious criminal case in the history of contemporary Belarus. Everything was done according to the law, everything was correct from the point of view of formal procedures; however, those who monitored the trial still have questions about the enforcement of law by investigative agencies, prosecutor's offices, courts and the department for the execution of sentences.



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

The adoption of the law “On inquiries of individuals and legal entities” is expected to streamline the procedure of reviewing and responding to inquiries filed by individuals and corporate entities, which is a prerequisite for good governance (state administration).

The creation of the Unified Register of State Property is supposed to systematize the information about state property and may become an instrument to secure the transparency of the privatization process. However, we will have to see real privatization deals in order to make sure that this practice is efficient enough in ensuring privatization transparency.

Another welcome regulatory innovation is resolution No.229, which aims at improving procedures for the procurement of commodities, services and operations by state enterprises, which from now on are supposed to procure goods and services on a competitive basis; the idea was to rule out corruption and red tape. At the same time, the document provides for exemptions for some groups of commodities and services, as well as possibilities to procure products from a single source in case of an urgent need.

The implementation of the electronic payment system has become an important step on the way to information society. However, specialists have concerns that the Rashchet payment system might become another instrument to control both business and individuals. ■

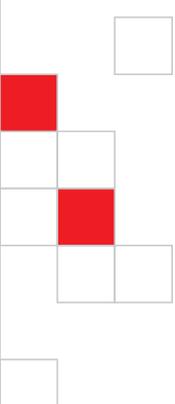
Brief forecast for the next quarter

Now that the political situation, both internal and external, has stabilized, there will hardly be any serious modifications, to say nothing of any more or less serious liberalization in the “governance and rule of law” segment.

The initiatives aimed at improving the regulatory framework for investors will likely lead to more case-by-case preferences offered to selected investors. Privatization, if the government pursues it at all, will also be managed manually. The distinct regulation of state interventions in the economy with a view to facilitating the investment framework and improving the legal environment remains unimplemented.

Brief forecast for the year

During the second half of the year, when the government starts paying for earlier loans, a more liberal approach to economic regulations might be adopted. Until then, there will be no preconditions for the situation to change. Belarus will continue the practice of “codifying” the rights and adopting bills with quite pompous names, which will remain either purely declarative or systematize existing law administration practices. More liberal and better formulated regulatory acts in the economic sector are possible as a bid to comply with CEA rules and, later, when Russia accedes to the WTO, to the rules of the Organization.



Trend 4

Geopolitical orientation

Pro-European vector ▲

Pro-Russian vector ▼

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

The entire forecast proved to be accurate. The tendency described in the previous report grew even stronger. The Belarusian administration keeps working in the track of the Russian foreign policy, while its relationship with the European Union is deteriorating.

Justification for the new trend

In the first quarter of 2012, the political and economic dependence of Belarus on its eastern ally became stronger. Because there are no alternative foreign policy vectors, the imbalance of Belarus' geopolitical orientation has become more than obvious. A new trend that emerged during the reviewed period is Belarus' attempt to make use of Russia to put pressure on the European Union amid the smoldering conflict with Brussels. March saw a sharp escalation of the political confrontation with the EU. The conflict emerged as a result of Belarus' willingness to subdue the EU's enthusiasm over the policy of sanctions. This trend will likely have serious consequences for both Belarusian-European relations and the internal political climate in Belarus.

Description of the key event that defined the trend

During the reporting period, the Russian foreign policy vector remained this country's chief priority. Starting January 1, 2012, the Common Economic Area (CEA) of Belarus, Kazakhstan and Russia was launched. The Belarusian side has meticulously met all of its CEA commitments once it joined the bloc

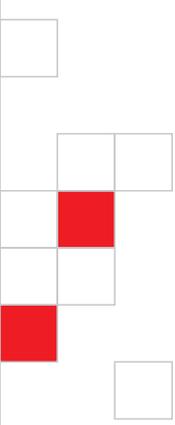
The approaching presidential election in Russia became a crucial factor for Belarusian-Russian relations. During the Russian presidential campaign, Minsk openly supported candidate V. Putin and gave up attempts to play an independent role in the Russian political arena. The loyalty of the Belarusian administration to the Russian leadership, specifically V. Putin, was handsomely rewarded by the resumption of Russian subsidies and the Kremlin's political support. Having no wish to irritate Moscow, the Belarusian authorities have to make promises to reassure their Russian partners – the Belarusian president made a statement about the plans to create a large joint production of fertilizers with Russian capital. First Deputy Prime Minister Uladzimir Syamashka and other Belarusian officials do not rule out the possibility of selling

Belarusian oil pipelines to the Russian side while providing positive comments on the acquisition of OAO Beltransgaz by Russian OAO Gazprom.

The Belarusian authorities have had OAO MAZ assets revaluated; however, the results of the valuation will hardly meet their expectations. Despite the statements about their determination to sell the state-controlled stake in COOO MTS cellular carrier for USD1 billion, the absence of any potential buyers and losses reported by the operator leave no doubts that Minsk will eventually have to cut the price. Overall, having stabilized the economic situation, the administration of the country has managed to take a short pause in the campaign for Russian capital to privatize its assets.

In 2012, Belarus had to agree to what appeared to be quite unfavorable terms of its existence in the framework of the Common Economic Area. A ruling was signed to equalize the terms of operation in the automobile market with the CEA partners, which resulted in yet another increase in imported car prices. Furthermore, the demand of the Russian side to slash Belarusian dairy supplies (Belarus had to comply) was another bad blow for the country. Belarus also failed in their attempt to impose its crude oil transport rates on Russian oil majors – instead of the 20% pay rise that Belarus insisted on, they Minsk had to accept the 8.3% increase offered by Russia. Belarus also transferred over USD3 billion in oil product duties to the Russian budget without the slightest problem. Previously, the Belarusian side ignored this agreement, which was signed back in 1995, and since 2001 transferred the entire volume of export duties payable to Russia to its own budget since 2001.

Politically, during the period under review, Belarus made a resolute attempt to employ Russia's support and seek the abolition of the EU sanctions. In February, Deputy Prime Minister S. Rumas suggested working out a consolidated position on the "Belarusian issue" within the Eurasian Economic Commission; numerous statements of Russian MPs condemning the EU sanctions followed. This campaign peaked when the Belarusian and Russian presidents made a joint statement about the "inadmissibility of the economic pressure" and V. Putin made a comment about the diplomatic scandal between Minsk and Brussels. However, this initiative did not have any more or less tangible results: Russia does not seem ready to come into a conflict with Europe over Belarus.



During the reviewed period, integration processes between the two countries continued, leading to a narrowing of Belarus' sovereignty – President A. Lukashenka approved the Agreement on the United Regional Air Defense System of Belarus and Russia, thus liquidating the status of this country as the “air shield” of Russia. The inevitable deterioration of the socioeconomic situation in the country, reflecting on the moods of security officials, made the Belarusian leader address the Russian side with a humiliating request about what can actually be regarded as the upkeep of the Belarusian army.

The western foreign policy vector had remained uneventful prior to the end of February. As February 27 and the session of the EU Council that was supposed to address the Belarusian issue were drawing closer, tensions over the possible extension of sanctions against official Minsk were mounting. The original concerns were further raised by the decision of the EU Council of January 24 to broaden the criteria for new sanctions. There were numerous media reports that the “blacklist” of the Belarusian officials who are banned entry to the EU would have 135 new names on it following the February 27 session.

Because of the internal contradictions in the EU Council (especially Slovenia's position), the discussion of the “Belarusian issue” on February 27 was very uneasy. As a result of the session, the Council of the European Union on February 28 decided to extend the list of Belarusian officials subject to restrictive measures of the EU, but added only 21 names (the “blacklist” therefore included 231 persons as of March 1, 2012).

It appears that the move to extend the sanctions became that very step across the “red line” previously mentioned by A. Lukashenka. On February 28, the spokesman for the Belarusian Foreign Ministry said Belarus was taking retaliation measures. The Belarusian administration decided to deny entry in Belarus to the EU citizens who contributed to the sanctions against Belarus. The country recalled its permanent representative to the European Union and ambassador to Poland for consultations. The Belarusian Foreign Ministry recommended the head of the EU Delegation to Belarus and Polish ambassador to leave for their capital cities for consultations.

In response, the emergency session of the Political and Security Committee of the European External Action Service reached an agreement to recall all of the EU ambassadors from Minsk in a solidarity move.

As a response to this diplomatic conflict, the EU leaders called on the EU Council at a summit in Brussels on March 2 to take “further measures” concerning the Belarusian administration. The EU Council complied and added 29 companies and 12 individuals responsible for the crackdown on human rights to the “blacklist”. The list now includes, among others, two Belarusian businessmen – Yury Chyzh and Anatol Tsernauski. The list of companies subject to the sanctions

includes Tsernauski's Univest and businesses controlled by Chyzh and Uladzimir Peftsieiu.

Description of additional events

In response to the expansion of the restraints imposed by the European Union, the Belarusian authorities limited foreign travel possibilities for a number of representatives of the Belarusian political opposition and civil society. This measure also provoked a negative response of European politicians and officials. On March 29, the European Parliament passed another resolution condemning the situation in Belarus. In that document, MEPs welcomed the decision of the EU Council of Foreign Ministers of March 23 to expand the sanctions and expressed their regret over the execution of Kanavalau and Kavalyou. They also expressed their regret over the list of Belarusian persons not allowed to travel abroad, drawn up by the Belarusian authorities. The list includes some of the political opponents of the regime and human rights activists, who will be denied foreign travel.

Previously, on March 15, the European Parliament postponed voting on the draft resolution on the situation in Belarus in order to “give the Belarusian authorities time to respond.” Because of the recent events in Belarus, some amendments were added to the document and approved on March 29. On the same day, EU Commissioner for Enlargement and European Neighbourhood Policy Stefan Fule announced the launch of the “European Dialogue on Modernisation” with Belarus. This new EU's program envisages a multilateral exchange of views and ideas between the European Union and representatives of Belarusian civil society and political opposition concerning the requisite reforms in Belarus and possible support for these reforms by the European Union. The dialogue will focus on four key areas: political reform; reform of the judiciary and people-to-people contacts; economic and sector policy issues; and trade and market reform.

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

On February 3, State Secretary of the Latvian Foreign Ministry A. Teikmanis paid a working visit to Minsk. He had meetings in the Belarusian Foreign Ministry to discuss the bilateral cooperation with Latvia and Belarus-EU issues.

On February 8-10, G. Wiegand, Director for Russia, Eastern Partnership, Central Asia, Regional Cooperation and OSCE with the European External Action Service (EEAS), paid a visit to Belarus. The European official had meetings in the Presidential Administration, a few ministries, and with representatives of the political opposition and civil society. The main objective of his visit was to address the possible approaches to building the relationship with Belarus. Specifically, Wiegand held a preliminary presentation of the “Dialogue on Modernisation”, a new EU initiative for Belarus. Wiegand's mission was not a success, though, because the announced release of some of the

political prisoners was never fulfilled came true.

On February 22, Belarus solemnly inaugurated/unveiled its Embassy in Finland. Attending the opening ceremony was Deputy Foreign Minister of Belarus Aliaksandr Hurianau.

On March 26, a conflict between the aviation authorities of Russia and Belarus erupted. According to General Director of Belavia air carrier Anatol Gusarau, the Russian side insisted on increasing the number of flights to Minsk on a

unilateral basis. This position of the Russian side resulted in the withdrawal of the authorization for Belavia to fly to Moscow. Russia's Rosaviatsia said that the Belarusian side was trying to apply administrative barriers to reduce the number of flights by Russian air carriers to Minsk. The aviation authorities of Russia and Belarus failed to reach an agreement even after a few rounds of talks, although they agreed to continue flights until May 10. ■

Brief forecast for the next quarter

The "tilt" in Belarus' foreign policy will likely remain for a long time, at least until the next parliamentary elections. In the near term, one should not expect any sharp turns in Russia's policy on Belarus – the Russian administration will be busy addressing post-election problems at home. Nevertheless, Moscow will be doing its best to see to it that the Belarusian authorities meet all of their commitments, especially those in the economic sector.

In the western foreign policy vector, the conflict will continue. The conflicting parties are not ready to make concessions and expect the first steps to be made by the opposing side. As for the possible actions of the Belarusian side should the conflict escalate further, they will likely be limited to repression against the internal opponents of the regime. Measures affecting EU's economic interests (for instance, limitations of energy and commodity transit) should be ruled out, as they would affect the Belarusian economy in the first place.

Brief forecast for the year

Having spoiled its relations with the European Union, official Minsk will have to dance to Russia's foreign policy tune. Efforts of the Belarusian authorities to maximize economic preferences from Russia amid the forthcoming reduction in financing will likely be redoubled.

Russian capital will be coming to the Belarusian market more actively, whereas the policy on the European Union, overshadowed by Belarusian-Russian relationship, will depend on Russia's activities and compliance with the basic agreements with Belarus. Official Minsk may get back to the policy of balancing should the Kremlin resume its pressure and fail to meet contracted liabilities.

Trend 5

Culture policy —▼

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

The previous forecast was mostly accurate. The outlined negative trend towards the de-liberalization of the Belarusian cultural landscape continued: the authorities cancelled the concerts of the musicians who allegedly had been included in the so-called “blacklists”, which the opposition media made public late last year. Although the Culture Ministry claimed that there were no such lists, concerts scheduled by Krambambulya, Neuro Dubel groups and Zmitser Vaitsyushkevich for January, February and March were cancelled without any sound reason.

As we had expected, the culture de-politicization process declared by the authorities remained a mere declaration; on the contrary, some of the high-profile incidents in the culture sphere (the scandalous finals of the Eurofest national television musical project, premiere of the historical series *Talash*, etc., as well as their coverage by the official and unofficial media) indicated an even stronger politicization and ideologization of cultural projects. At the same time, the cultural products representing the official discourse kept on being depreciating, whereas their types, themes, genres and aesthetics were becoming more limited.

Justification for the new trend

The trend that was setshaped in the first quarter may be defined as gradual smooth de-liberalization of cultural processes amid a growing polarization of the cultural life of the country. The culturale landscape is obviously being divided into official culture, which is supported by the state and broadly used for political and ideological purposes, and unofficial culture (by no means always oppositional), which is banned, ousted from the cultural field or consistently ignored. Given the gradual escalation of tensions in Belarus' relationship with Europe, Belarus' cultural life manifests signs of closedness, simplism, and orientation to questionabledoubtful specimens of Russian cultural products (especially Russian showbiz). The extremely contradictory progress of what was previously outlined as the “mild Belarusization” policy attests to the absence or insufficient elaboration of its general concept, as well as the dependence of cultural institutions in the implementation of this policy.

Description of the key event that defined the trend

The main event identifying the cultural field in the first quarter of 2012 was the major scandal over the Eurofest national television musical project (the national selection for the Eurovision-2012

Song Contest). Belarus' participation in the Eurovision Song Contest, the Junior Eurovision Song Contest, Slavonic Bazaar festival, Miss Belarus national beauty pageant and the cultural program of the *Dozhinki* harvest festival are the key events defining the official discourse of contemporary Belarusian culture. It is these events that enjoy a strong support of the state media. The involvement of the president (or his comments) must be connected with the personal artistic passions of the head of state or his subjective understanding of the purpose goals of culture in modern times. (During the economic crisis and dropping living standards the demand of “bread and circuses!” appears to be especially relevant).

In accordance with the Guidelines for holding the National television musical project *Eurofest*, its winner is determined after the final concert by a majority of the interactive votes cast by viewers and the votes of the professional panel. A few days ahead of the final concert, which was scheduled to take place on February 14, the Internet media reported that the head of the culture department with Vitebsk regional administration addressed a letter market “urgent” to regional culture offices and directors of secondary educational establishments requesting them to assist in circulating a promotional leaflet with information about one of the five finalists of the Eurofest selection tour, singer Alyona Lanskaya, and suggesting that they “together with their families” should support the singer “during online voting.” Similar letters were said to be circulating in other state agencies as well.

After the final concert was over, the Eurofest organizers announced that Alyona Lanskaya won the event, getting more votes than the runner-up, Litesound band, which ironically had been an overwhelming favorite judging by the results of numerous preliminary rankings. The results of the contest understandably caused a major negative response from the audience. The president also responded fast by setting up a special commission, and holdingeld a meeting on February 24 to discussaddress the results of the Eurofest contest. In his speech at the meeting A. Lukashenka said that the vote results were a fraud; as a result, Litesound was named the winner and Belarus' official Eurovision-2012 entrant. Culture Minister P. Latushka, chairman of the Belarusian Television and Radio Broadcasting Company G. Davydzka were reprimanded. A bit later, D. Baranau, the executive producer of the project, was accused of tampering with the votes and was subsequently dismissed. There was no further investigation, and no explanation was provided as to why the administrative resource had been employed, which is why the opposition

media suggested that the whole scandal had been set up by the authorities. Anyway, they benefited from the situation, as A. Lukashenka once again played the role of a “wise and consistent ruler”, who is the only guardian of justice in the country. The demonstratively harsh rhetoric concerning the guilty officials replicated by all official media outlets is the trademark gimmick of the Belarusian head of state, enabling him to build up his image at the expense of others.

The progressing politicization of the country's cultural life and ideological motives behind cultural initiatives were very clearly manifested in late January, when the First Television Channel aired the four episodes of the “Talash” feature based on Yakub Kolas's *Drygva* (The Bog) novel. The movie takes on very complicated and contradictory events in the Polesye area during the civil war, and was severely criticized in Poland. The Polish Foreign Ministry and *Rzeczpospolita* newspaper said they were puzzled by the extremely negative and almost caricature portrayals of the Polish characters in the feature. The Belarusian side, for its part, perceived those statements as a welcome media opportunity to begin another phase of the anti-Polish propaganda campaign. The result is that the artistic value of the story remained beyond the scope of the discussion, and the movie was used for purely political and propaganda purposes.

Description of additional events

The year 2012 was declared the “Year of the Book”, and the events scheduled to celebrate the book, as well as the XIX Minsk International Book Fair (February 8-12), preparation for the 130th anniversaries of Yanka Kupala and Yakub Kolas brought to the foreground the problems of the Belarusian language and literature and made it clear that there was no single concept to promote them, and even if there were one, it would be impossible to implement it. We should give credit to the Culture Ministry for drawing attention to this problem – on February 8, Minister P. Latushka told a board meeting of the Culture Ministry that the plan to popularize the Belarusian language, which is part of a governmental program for 2011-2015, was well behind the schedule.

On February 16, Deputy Culture Minister Tadeusz Struzecki noted during the roundtable conference “Popularization of the Belarusian Language: Contemporary Status and Prospects” that most of the Belarusian population was either not using the Belarusian language in the everyday life or was using it very rarely.

Later, on February 21, Struzecki said that the Republic of Belarus as a sovereign country could not exist without the Belarusian language. Also important is the open discussion of the Culture Code concept initiated by the Culture Ministry back in January. The Code, as soon as it has been adopted, will serve as the foundation of the legal, organizational, economic, and social aspects of cultural activities in Belarus, and will form a regulatory framework for public relations with a view to preserving and developing cultural values, values; the ministry was quoted as saying.

On February 3, First Deputy Information Minister L. Ananich said that Belarusian-language books accounted for 10% of the total book output in the country, which did not “suit the ministry”, albeit reflected the real language situation in the country. In early February, it was announced that Belarus was finalizing a new law on the press, which would likely be adopted in 2012. In March 2012, Education Minister Siarhei Matskevich announced plans to start teaching two school disciplines – “History of Belarus” and “Geography of Belarus” – in the Belarusian language.

These “mild Belarusization” has been faced with certain tacit or obvious barriers. On March 2, the nn.by website posted a copy of a “For Official Use Only” document addressed to Brest Region Governor Kanstantsin Sumar. The document contains a request on behalf of First Deputy Chief of the Presidential Administration Alyaksandr Radzkou “to take specific measures to prevent the heads of state agencies and other organizations from pursuing the policy of forced Belarusization and artificially limiting the use of the Russian language in their activity.” Based on Sumar's endorsement, the message was to be circulated in Brest Region districts “for execution and dissemination among concerned authorities.”

In March, a report was published that since 2004, not a single doctoral dissertation on the Belarusian language had been defended in Belarus, whereas in other sectors, 93 doctoral theses had been successfully defended. On March 5, Deputy Director of the Presidential Administration's Information and Analytical Center Doctor of Philosophy Leu Kryshchapovich suggested at the roundtable conference “The Religious Factor of Belarus' National Security” that Belarus should give up the idea that the Belarusian identity originated from the Grand Duchy of Lithuania, because “these attempts are lying beyond the real process of our spiritual consolidation and development.”

Another first quarter incident attesting to the growing xenophobic sentiment is the cancellation at the insistence of the authorities in February and March of Jesus Christ Superstar performances by the St. Petersburg Rock-Opera Theater. At the same time, some cultural projects were successfully completed during the first three months of the year: in February, the Republican Theatre of Belarusian Drama became home to the Youth Cinema School-Contest, which features workshops and master-classes from the leading cinematographers of Russia, France, and the United States.

On March 1, an exhibition of 15 best modern artists “Zero Radius.: An Ontology of the Art of the Noughties” was held in a vacant workshop of the Horizont factory. The plans to revive the famous production of Slootsk belts initiated by the president look quite ambiguous: on the one hand, one cannot but welcome the propaganda of one of the brightest pages in the history of national arts and crafts; on the other hand, the hasty nature of decision-making is alarming, and so is the intention to substantially alter the traditional

manufacturing technology and the absence of specific plans for the application of the important components of a nobleman's costume in the current context, etc.

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

A resolution of the Council of Ministers of the Republic of Belarus dated January 6, 2011 adopted the State Program "Castles of Belarus" for 2012-2018. The program aims at facilitating the preservation, restoration and rational utilization of cultural and historical legacy with a view to promoting domestic and incoming tourism. The program envisages repair and recovery operations at 38 facilities.

In 2012-2018, program financing will amount to Br131.4 billion, which will include Br2.5 billion of republican budget funds, Br128.8 billion of local budget funds, and Br25 million of investors' funds. Whether this program will be successfully implemented amid the recession and expected reduction in investment inflows raises reasonable doubts; however, if it is properly carried out, it will not only improve the catastrophic situation with respect to the integrity of architectural monuments, but also have a marked positive impact on contemporary Belarusian society by enhancing the European vector in the development of the cultural landscape and helping Belarusians acknowledge their national self-identity. ■

Brief forecast for the next quarter

The second quarter of 2012 will be characterized by growing negative tendencies related to further de-liberalization of Belarusian culture. One should expect further polarization of the country's cultural life, politicization and ideologization of the official cultural discourse and gradual ousting and marginalization of independent actors. We cannot rule out that Belarus may eventually get closer to the Russian cultural landscape and attempt to borrow and imitate Russian cultural products (especially mass culture products). It is also highly likely that even timid "mild Belarusization" moves will be phased down or frozen.

Brief forecast for 2012

Given the aggravating (persisting) conflict with the European Union, one should expect consistent opposition to any attempts to include Belarusian culture in the European context. Counterweighing the "European vector" of cultural development will be the Russian cultural focus; the rhetoric concerning the "Slavic unity and brotherhood" of the two neighboring nations might resume.

Amid the ongoing economic difficulties, very few cultural projects will receive financing, and only those that are traditionally incorporated in the official cultural discourse; the rest of them will be marginalized and pushed outside of the cultural spectrumfield. A new phase of "cultural migration" is possible, when independent actors have to look for possibilities of creative self-actualization abroad.