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Summary

This new issue of BISS-Trends is a semiannual monitoring review of the main developments in the Belarusian state and society in the first half of 2014.

The report identifies the main trends in the following sectors:

- political democratization/political liberalization;
- economic liberalization;
- good governance and rule of law;
- geopolitical orientation; and
- cultural policy.

Each of these priority segments is described based on the following pattern:

- general characteristic of the main tendencies;
- description of the main developments that determined the rating of the trend;
- description of additional developments;
- brief forecast for the next six months.

At the start of the report, we offer a brief summary of the main trends in the five target areas (Executive summary). This review also comprises a table that outlines the degree of progress or regress in each segment. The issue also presents a reference catalogue of the main events, developments and changes that were recorded in the first half of 2014 in each of the five areas under analysis.

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Executive summary

In the first half of the year 2014, no quality changes were recorded in terms of political liberalization; however, the existing trend towards regress continued. The number of politically motivated detentions and arrests markedly increased, which was in large measure due to the seasonal surge in protests staged by the opposition, and the 2014 IIHF Ice Hockey World Championship in Minsk.

Furthermore, the amendments to the Electoral Code adopted in the second half of 2013 limited the campaigning opportunities for opposition candidates. The elections to local councils of deputies were under complete control of the executive authorities and characterized by an extensive use of administrative resources and repression against opposition candidates and political activists.

The amendments to the *Law On Non-Governmental Organizations* brought about slight simplifications to the procedure for the state registration of new organizations, whereas the negative trends concerning the regulation of the operation of NGOs remained in place. The release of several political prisoners indicates certain political liberalization; however, no structural shift in this direction is visible.

In the economic sector, the trend towards further macroeconomic imbalances continued. The main macroeconomic indicators dropped in the first half of 2014, prompting the government to step up its intervention in the economy by way of additionally subsidizing state-run enterprises and making additional moves to encourage import substitution. For its part, the lack of structural reforms has resulted in a situation where the capability to maintain the current level of gold and foreign exchange reserves depends exclusively on foreign borrowing (in the first half of 2014, two loan installments from VTB were received), which once again drives the economy into a vicious 'loan to loan' circle.

When it comes to good governance and rule of law, the first six months of 2014 were characterized by slight positive changes. The investment legislation saw de-codification moves, and certain developments indicated that the *Law On Public-Private Partnership* may be adopted soon. At the same time, Resolution of the Government *On Business Plans of Investment Projects* was adopted to streamline modernization projects for state-owned companies and improve their efficiency. Further, in the first half of the year, the implementation of the reform of Belarusian courts began, following the launch of the reform in the second half of 2013.

In international relations and geopolitical orientation, Belarus's foreign policy was completely in line with Russia's foreign priorities. Moreover, the dependence on Russia further increased following the signing of the Eurasian Economic Union (EEU) Treaty, buildup in the presence of the Russian military grouping in Belarus, and transfer of two loan installments by Russia's VTB.

At the same time, Belarus managed to boost its contacts with the West — with both the European Union and the United States. The contacts with the EU became more substantial in content. Events with the participation of high-ranking U.S. officials were also held. Further, the release of some political prisoners, especially the human rights activist Alies Bialiacki, contributed to the 'thaw' in the bilateral relationships. Although there was no full-scale normalization, the current trend can definitely be described as an improvement in Belarus's relations with the West.

The cultural sector is still an area of stagnation that sees no quality changes. Despite certain improvements in the cultural landscape, which were for the most part promoted by the 2014 IIHF Ice Hockey World Championship in Minsk, the polarization of official and 'underground' cultures remain in place, along with some developments that enhance the ideologization of official culture and indicate the mounting personnel crisis in culture management. The policy of 'Soft Belarusianization' remains inconsistent and yields no tangible results. ■

Focus area	Main trend
Political liberalization	Regress in the framework of the current negative trends with no quality changes
Economic liberalization	Growing negative trends, lack of quality changes
Good governance and rule of law	Slight improvement, progress towards a positive trend
Geopolitical orientation	Increase in dependence on Russia, improvements in relations with the West with very slight progress towards normalization
Cultural policy	Stagnation with no quality changes

Trend 1

Political liberalization/political democratization

Main tendencies: Regress in the framework of the current negative trends with no quality changes

General characteristic of the main tendencies

During the period under review, the dependence of the number of politically motivated instances of repression on the level of activity of the opposition and civil society as a trend remained in place. The tendency towards an increase in administrative prosecution that we previously outlined also remained, which is caused, among other things, by the fact that as soon as the opposition steps up its activity (the traditional spring mass actions, involvement of most of the political forces in the local elections), the authorities retaliate, including with the use of administrative arrests.

The month of May clearly stands out because of the 2014 IIHF World Championship held in Minsk. It was marked by numerous preventive arrests of civil activists and opposition members, despite the fact that the opposition had planned no serious protest actions during the event.

The elections of deputies of local councils were held under complete control of the executive authorities, which managed each phase of the election process. Furthermore, during the elections, representatives of the opposition were banned from election commissions, opposition candidates were denied equal opportunities with candidates nominated by the authorities, and administrative resources were extensively used. Repression against opposition candidates and obstacles to their campaigning and monitoring efforts were registered

Amendments to the Electoral Code adopted back in autumn 2013 further complicated the electoral framework for opposition candidates, especially as far as their election campaigning is concerned. At the same time, the Law On Non-Governmental Organizations only slightly simplified the registration procedure from the technical point of view, without removing politically motivated barriers to ensure the implementation of the freedom of association. The release of three political prisoners (especially the early release of the head of the Viasna Human Rights Center Alies Bialiacki) can be regarded as a step made to improve the relations with the West; however, it does not indicate overall political liberalization.

Description of the main developments that defined the trend

1. The first six months of the year saw a new record high number of cases of administrative prosecution of participants in rallies and

representatives of the political opposition. The number of administrative arrests dramatically increased, especially of preventive detentions ahead of mass actions or arrests following rallies. Mass unmotivated detentions and arrests of activists in the run-up to the 2014 IIHF World Championship also contributed to the new record.

According to Viasna Human Rights Center, ahead of the Championship, at least 32 activists of various NGOs were arrested. Moreover, in some cases police officers were searching for those who had left Minsk. In addition to opposition activists, hundreds of representatives of certain social groups were arrested for the period of the Championship, including homeless people and sex workers.

2. Furthermore, instances of infringement on the freedom of speech and other freedoms were registered throughout the period of the Championship. T-shirts with political slogans were seized from fans, and some representatives of foreign and Belarusian media were denied accreditation. Further, some foreigners were not allowed to enter the country as 'unwelcome persons', whereas the newspaper Svobodnye Novosti plus received a written warning from the Ministry of Information for "violating public interests and shaping a negative attitude to the ice hockey championship, which concluded in Minsk."

Importantly, even exclusive of administrative prosecution during the Championship, the number of administrative prosecution cases (including arrests) turned out to be the highest since the first half of 2012. The scope of detentions and arrests of participants in the local elections campaign (not only monitors and campaigners, but also candidates) proved to be unprecedented for elections of this level — during the 2012 parliamentary elections, the figures were markedly lower.

Description of additional developments

1. During the period under review, the main factor that could have brought about improvements in the environment for NGOs was the change in the legislative rules for the registration of public organizations. However, despite the formal mitigation of conditions and criteria necessary for registration, no real possibilities for the registration of new associations were introduced. At the same time, an additional reason for the liquidation of NGOs appeared, namely, a failure to provide annual reports to the registering authority for three years in a row.

	2012		2013		2014
	1H	2H	1H	2H	1H
Administrative prosecution	160	75	57	115	170
Including with administrative arrests	72	32	27	32	67

Source: Viasna Human Rights Center. Data for previous periods has been adjusted from the previous BISS-Trends issues.

2. During the six months under analysis, some public organizations were denied registration, including the Public Organization “Veterans of Chernobyl”, Public Organization “Polyus Society for Support for Extreme Expeditions and Prevention of Emergencies”, Outreach Public Organization “Brest Christian Democrats”, and Public Organization “A Contemporary View”.

3. In January 2014, the Pinsk-based coordinator of the steering committee to establish the party “Belarusian Christian Democracy” Siarhiej Suchavercha was warned by the local prosecutor’s office for acting on behalf of an unregistered organization and notified of possible criminal prosecution. On 31 January 2014, the executive committee of Ščučyn district demanded that philanthropist Aliaksiej Ščedroŭ should shut down the social institution that he had organized, because of a failure to comply with health and safety regulations. Previously, in 2013, a criminal case was instituted against Ščedroŭ under Article 193 Part 1 of the Criminal Offenses Code for acting on behalf of an unregistered organization, and the registration of his institution was the only way for him to legalize his unregistered organization.

4. The elections of deputies of local councils that were held on 23 March 2014 became the

first elections regulated by the new version of the Electoral Code amended in the autumn of 2013. As expected, the amendments did not promote the democratization of the election process and further limited opportunities for the political opposition to carry out its campaigns. Hardly any opposition candidates were elected to local councils, despite the usual scope of the involvement of the opposition in the election campaign.

5. The release of the political prisoners Mikalaj Aŭtuchovič (on 8 April upon expiration of his sentence), Andrej Hajdukoŭ (on 8 May upon expiration of his sentence) and Aliex Bialiacki (on 21 June, the day the Law On Amnesty in Connection with the 70th Anniversary of the Liberation of Belarus from German Nazis came into effect) was interpreted by civil society as a positive signal. However, the fact that seven more persons qualified by Belarusian human rights activists as political prisoners are still in jail (including two who were imprisoned for their involvement in the events following the 2010 presidential election), as well as the initiation on 26 June of a new criminal case under the political article of the Criminal Offenses Code “Insult of the President” suggest that this positive trend will not continue. ■

Brief forecast for the next six months

The second half of 2014 will become instrumental in shaping the trends that will predetermine the development in the run-up to the presidential election of 2015. The main factor for how things will be going will be the country’s engagement with the West. If consistent dialogue continues, Belarus may keep releasing political prisoners; however, it is highly unlikely that all of them will be set free. Inside the country, the behavior of the approval rating of the incumbents amid the crisis in Ukraine and economic difficulties in the country will pave the way for an increase in the force- and repression-based component ahead of the presidential election of 2015. Therefore, the concessions that official Minsk has been making as far as the issue of political prisoners is concerned (which is of fundamental importance to the West) will be accompanied by new repressive legislative acts (one should expect a tighter control of the dissemination of information in the Internet) and implementation of new and existing restrictive acts. The tough policy on participants in protests with an extensive use of preventive arrests will remain in place.

Trend 2

Economic liberalization

Main tendencies: Growing negative trends, lack of quality changes

General characteristic of the main tendencies

The first half of 2014 was characterized by the accumulation of imbalances in the Belarusian economy and aggravation of the existing negative trends. During the first six months of the year, the key macroeconomic indicators worsened, and so did the real sector indicators. The gold and foreign exchange reserves remained virtually unchanged during the period under review, but the only reason for that was the receipt of two installments of a bridge loan from VTB. In the middle of the first half, gold and foreign exchange reserves dropped, and GDP growth slowed, mostly due to external shocks, as both Ukraine and Russia devaluated their national currencies following Kazakhstan, which prompted the Belarusian authorities to set the money-printing machine going.

The poorer performance of the real economy forced the government to resume super-subsidies to state-run enterprises by applying concessional rates to earlier loans and making additional moves to encourage import substitution. A clearly positive change, though, is Russia's guarantee of annual supplies of 23 million tons of its crude oil and the right to keep up to USD1.5 billion worth of export duties on refined oil, both resulting from the signing of the Eurasian Economic Union Treaty.

Description of the main developments that defined the trend

1. The year 2014 started off with a positive development, as the USD450 million loan received from VTB in late December 2013 (of the USD2 billion promised by the Russian bank) enabled the authorities to keep gold and foreign exchange reserves at a level of at least two months' worth of import (USD6.65 billion). The certainty that they would soon receive the remaining USD1.5 billion made the Belarusian authorities 'economically optimistic'. As a result, even the depreciation of the Russian ruble in January did not stop Lukashenka from assuring the Belarusian media in late January that the decision to refrain from further devaluation of the Belarusian ruble in late 2013 had been economically feasible.

2. In January, Belarus saw a slower GDP growth, Kazakhstan devaluated the tenge, and the coup in Ukraine necessitated a devaluation of the hryvna. In March, the Russian ruble depreciated again, while Belarus's GDP for January and February grew at increasingly slower rates. To make up for the slowdown, Belarus relied on its money-printing machine again; however, the new money was soon channeled into the money market, which led to a reduction in the volume of

gold and foreign exchange reserves.

3. Belarus never received a new installment of the agreed VTB loan in the first half of 2014, which affected the value of the Belarusian ruble in the money market. During the first five months of the year, gold and foreign exchange reserves shrank by USD1.25 billion to USD5.4 billion. The new USD2 billion bridge loan from VTB that the country received in June, prevented further reduction, and gold and foreign exchange reserves increased to two months' worth of import (approximately USD6.5 billion), which brought down devaluation expectations.

4. Many of the key macroeconomic indicators worsened:

- unsold inventories expanded by 29.4% in the first five months of 2014;
- accounts payable increased by 7.7% in January–April;
- accounts receivable grew by 6.8% in the first four months of the year;
- net profit of Belarusian enterprises fell by 25.3% year-on-year in January–April;
- the number of loss-making companies and organizations rose by 60% in the period 1 May 2013 to 1 May 2014;
- net loss of loss-making companies and organizations went up by 115% from 1 May 2013 through 1 May 2014;
- monthly consumer inflation was up to 2.2% on a monthly basis in May from 1.6% in April and amounted to 8.9% in January–May, thus reaching the annual target during the first six months.

The increase in inventories indicates that the decision to allow companies to sell their products at discounted rates produced limited impact on their sales capacity. The increase in inventories also forced the Belarusian government to reduce rates on previous loans to companies in order to prevent further reductions in gold and foreign exchange reserves. Preferential rates were granted to companies accounting for 30% of all loans, which is almost half of all loans extended to state-run enterprises.

The unofficial ban on sales of imported beer during the 2014 IIHF Ice Hockey World Championship in Minsk and the positive impact on the domestic breweries prompted the government an easy way to improve the economic situation at companies that reported shortages of resources. The authorities introduced import-substitution measures by licensing the import of beer, confectionery

products, pasta, glass and cement. Further, discussions are underway to identify the sectors, where the status of a special importer could also help Belarusian producers.

5. Moves were made to cheapen loans in Belarusian rubles:

- a ban on foreign exchange loans was imposed for economic entities operating in the domestic market;
- the refinancing rate was cut twice in the first six months: from 23.5% to 22.5% in April and 21.5% in May;
- new limitations on consumer loans were introduced;
- ceiling rates of ruble-denominated loans were introduced, with monthly downward revisions;
- a controlled devaluation of the Belarusian ruble by 1.1%–1.3% per month is underway. The ruble was devaluated by 680 rubles to the dollar (7.14%) during the first six months of the year.

The government refrained from pushing wages higher; therefore, wages went up by only 3.6% year-on-year in real terms in January–May 2014. However, the government put pressure on the National Bank seeking directed reductions in

interest rates on ruble-denominated loans. The move resulted in a withdrawal of fixed-term personal deposits in Belarusian rubles totaling 1.5 trillion rubles (in April and May, exclusive of capitalized interests) for further conversion into foreign exchange-denominated deposits.

Description of additional developments

1. The commencement of the drafting of the National Strategy for Sustainable Social and Economic Development of Belarus for the period to 2030 has been declared. The general concept of the strategy is to preserve the existing economic management model while changing the sources of foreign exchange.
2. Because of the shortage of foreign exchange in the domestic market, auctions to place long-term GDO state bonds are held on a continuous basis. Further, targets for attracting foreign exchange to the domestic market were revised downward.
3. In late May, the EEU Treaty was signed. Belarus succeeded in securing annual supplies of 23 million tons of crude oil from Russia. The country will also keep a part of export duties on refined oil starting 2015. ■

Brief forecast for the next six months

As soon as the National Bank imposed limitations on the cost of loans, rates on ruble-denominated deposits dropped, which resulted in a conversion of deposits into foreign exchange. The two previous attempts to reduce loan rates using administrative measures in 2012 and 2013 resulted in substantial outflows of ruble deposits, growth in demand for foreign exchange, and eventual return of loan rates back to the original level. Therefore, an additional USD2 billion in loans will be required to fix the interest rates by this autumn.

A foreign trade surplus will be achieved, exclusive of the transfers of export duties on Russian oil products back to the Russian budget. The increase in potash supplies and curtailment of investment import will enable the country to keep the trade balance close to a zero; however, balance of payments will remain in the negative. VTB's bridge loan had been provided for the period until the end of 2014, which means the pre-crisis situation in the money market may repeat unless the authorities expedite talks over new foreign exchange loans.

Trend 3

Good governance and the rule of law

Main tendencies: Slight improvement, progress towards a positive trend

General characteristic of the main tendencies

The first half of 2014 turned out to be quite eventful as far as foreign policy developments are concerned, hence new trends in the good governance and the rule of law segment. During the period under review, the Eurasian Economic Union (EEU) Treaty was signed, envisaging the harmonization of law and governance institutions in the former Soviet Union. Further, legislators continued working on certain legal acts that are expected to facilitate a closer cooperation between the state and private investors.

At the same time, foreign investment regulations were de-codified, as the Investment Code became inoperative, along with the general regime of preferential treatment that applied to foreign investors. Further, starting January 2014, the reformed systems of courts, law enforcement agencies and notaries became operational.

Amid positive initiatives and 'reform-driven' rhetoric of Belarusian officials, the high pace of the preparation and adoption of new laws, as well as lack of any significant negative developments, the trend in the good governance and the rule of law segment can be characterized as a 'slight improvement'.

Description of the main developments that defined the trend

1. At the end of the first six months of the year and following a few years of discussions, the *Bill On Public-Private Partnership (PPP)* finally evolved into a tangible document. It has not been officially adopted yet; however, extensive discussions are underway, and an institutional infrastructure has been established to encourage PPP projects. The thematic congress that was held in Minsk in late May brought together about 450 delegates, including representatives of state authorities, numerous experts, representatives of international organizations and investors. The congress featured the first meeting of the recently established Interdepartmental Infrastructure Coordination Council, which is designed to coordinate the partnership between the state and the private sector for the implementation of the recently adopted National Infrastructure Plan.

The PPP bill has been discussed for a few years now, and it looks like it will be passed very soon. A few PPP projects have been implemented on special terms and conditions, the best known project being the BelToll road toll collection system. The PPP bill, when adopted, will

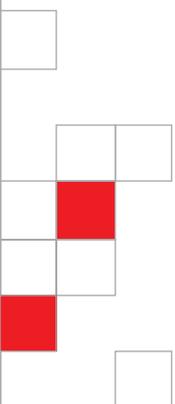
increase the transparency of the PPP procedure, which will eventually attract additional numbers of major investors in Belarus.

2. At the end of January, the Council of Ministers approved the *Concept for the Creation and Development of Innovation Industrial Clusters in Belarus*. The declared objective of the Concept is to assess the potential and identify the prospects of giving an impetus to the cluster development of the economy for the period to 2020. Structurally, the Concept is a well-developed document that identifies all of the principal factors ensuring the successful development of a cluster economy. It analyses international practices, envisages a system of training of executive personnel and outlines sources to finance the proposed initiatives. The outcomes of the implementation of the Concept will be visible only in a few years; however, even the very fact of its adoption should be perceived as a positive change.

3. Also in the first half of the year, the Resolution of the government *On Business Plans of Investment Projects* was adopted. The declared purpose of the document is to enhance the effectiveness of the use of budget resources that are currently scarce, which has recently been demonstrated by the projects of 'boosted modernization'. From now on, each 'modernization' plan will have to be preceded by marketing research with a view to obtaining objective information about possibilities for sales of products. Further, a multiple-path production development analysis should be carried out before an investment project begins. For projects worth in excess of USD70 million, all-round marketing research should be conducted, and, where necessary, independent consultants should be engaged, including foreign entities, which will be paid for their services from the state budget. The Resolution means that the government has placed emphasis on serious preliminary evaluation of projects that require substantial state investments and can be regarded as another step towards improvements in the quality of governance.

Description of additional developments

1. The Investment Code of the Republic of Belarus, introduced in 2001, ceased to be in force on 1 January 2014. The replacing *Law On Investments* does not comprise the provisions that used to provide preferences for enterprises with foreign investments exceeding USD20,000. For example, the new law lacks special conditions for forming authorized capitals of such entities and the possibility for foreign



directors of companies with foreign investments to work in Belarus without having a special work permit. Apart from that, most of the provisions of the Code were purely declarative; therefore, its abolition is a mere sign that the country is moving from the general preferential regime to individual preferences for foreign investors. The thing is that the possibility for foreign investors to enjoy individual preferences is already envisaged by Decree No.10 of the President *On Additional Conditions for Investment Activity in the Republic of Belarus*.

2. Decree No.3 of the President adopted in February 2014 introduces some serious changes to the rules for the registration of commercial organizations, including the cancellation of special legal forms for foreign capital and introduction of uniform rules for the establishment of businesses irrespective of the country of origin of capital. From now on, the authorized capital of commercial organizations registered in Belarus will be formed only in Belarusian rubles. Furthermore, the document abolished special rules for the formation of the authorized capital by organizations with foreign investments. Belarus has thus introduced the national regime for the registration of commercial organizations, which is characteristic of economies with mature legal systems, where foreign investors are attracted by general positive framework terms and conditions for doing business, rather than targeted preferences.

3. The declared draft Ordinance *On Amendments to the Terms and Conditions for the Operation of Holdings* must be aimed at improving the structure of corporate governance and creating opportunities for achieving economies of scale. Other novelties include an extension of tax benefits for transferring financial and materials assets between the companies of a holding and increase in managers' remunerations in state-controlled holdings. It is planned that these measures, which draw on foreign experience, will help accumulate financial and managerial resources that will be channeled into the development and manufacturing of innovative marketable products.

4. The implementation of the reform of courts, law enforcement agencies and notaries, which was launched back in 2013, commenced in January 2014. In accordance with the reform, the Supreme Court and Higher Economic Court are merged into a single supreme judicial

authority that oversees the system of courts of general jurisdiction, which may have specialized courts. Also on 1 January 2014, a single system of agencies for the enforcement of judgments was established on the basis of structural divisions of the Ministry of Justice, the Higher Economic Court and the departments of justice of regional executive committees. Furthermore, starting January 2014, all state and private notaries have been granted the single notary status and must seek membership at the Belarusian Notary Chamber. They also have to take out a third-party liability insurance policy. So far, there have been no reports about the efficiency of the reform; however, we expect positive changes.

5. Ordinance No.214 of the President provides for a possibility for some cities and towns located within 60 kilometers of Minsk or region centers to enjoy the status of satellite cities/towns. Minsk's satellites are Dzierżynsk, Zaslauje, Lahojck, Smaliavičy, Fanipal, and Rudziensk, whereas Žabinka and Skidziel have been given the status of satellite towns of Brest and Hrodna, respectively. Satellite cities/towns enjoy special housing construction programs and formation of a social, manufacturing and transport infrastructure that is aligned with that of the respective region center. The Ordinance can be regarded as a move to streamline the contemporary economic and demographic phenomena and implement new approaches to the management of the areas of major urban agglomerations.

6. On 29 May 2014, the Eurasian Economic Union (EEU) Treaty was signed. From the point of view of good governance and legal regulation, the Treaty will upgrade the Belarusian legislation, especially as far as competition and the creation of equal conditions for businesses in the EEU member states are concerned. On the other hand, the transfer of administrative competencies and delegation of high-qualified managers to the EEU Commission headquartered in Moscow may undermine the managerial potential of Belarus. Overall, underlying the EEU Treaty are medium- and long-term plans to harmonize and unify the legislations of the member states with a view to creating a common market for commodities, services, capital and workforce using the pattern of the European Union. As in the EU, the fundamental decisions of the EEU are made by a consensus of the heads of state. ■

Brief forecast for the next six months

The Eurasian Economic Union Treaty, which is likely to be ratified in the second half of 2014, envisages the harmonization of legislations of the member states beginning in 2015. The Treaty includes a stipulation that as soon as it comes into effect, the member states undertake not to adopt any national acts that contradict it. In this context, there is a possibility that up until the end of the year, further harmonization of the legislations will be progressing very slowly.

There is also a possibility that Belarus may pass some protective laws, which may be abolished at a later phase as a concession to the EEU.

The upgrade of the legal framework for public–private partnership, the operation of holdings and economic clusters will continue in order to support and develop the competitive positions of Belarus in the eyes of foreign investors compared with its neighbors.

As before, the authorities will respond to external challenges; however, there is hope that in the future, it will act proactively seeking to build a functional legal system and effective management structure building on the lessons of the Ukrainian crisis.

Trend 4

Geopolitical orientation

Main tendencies: Increase in dependence on Russia, improvements in relations with the West with very slight progress towards normalization

General characteristic of the main tendencies

Belarus signed the Eurasian Economic Union (EEU) Treaty while contriving to gain additional concessions from Russia concerning the supplies of oil and oil products. The Belarusian administration continued to stall the implementation of integration projects with Russia and took up a stance on the crisis in Ukraine that is different from that of the Kremlin. Despite these contradictions, Belarus remained in the track of Russia's foreign policy.

Belarus further stepped up its diplomatic contacts with the West. Communication with the EU finally grew substantive, as consultations started on the execution of visa facilitation and readmission agreements with the European Union, along with bilateral dialogue on modernization at the intergovernmental level. In the first half of the year, a few high-ranking U.S. officials paid a visit to Minsk, while Washington for the first time ever hosted bilateral consultations on international security. For its part, Minsk made a gesture to further 'defrost' the relationships by releasing the human rights activist Alies Bialiacki before the end of his sentence.

Description of the main developments that defined the trend

1. On 29 May 2014, Belarus, Kazakhstan, and Russia signed the Treaty on the establishment of the Eurasian Economic Union, which is supposed to come into effect starting 1 January 2015. The move indicates further deepening of economic integration in the framework of the Eurasian troika. Since the beginning of the period under review and up until the end of May, official Minsk had been making efforts to maximize its benefits from the signing of the document that Russia wants so much. Belarusian negotiators managed to come to an agreement that Belarus would retain up to USD1.5 billion worth of export duties starting 2015. The two countries also agreed that Belarus would receive 23 million tons of crude oil in 2015 and 24 million tons of crude annually in 2016–2024, which will be enough for the Belarusian oil refineries to operate at their full capacity.

2. Moscow is also building up Belarus's dependence on its loans making use of the difficulties in the Belarusian economy to put its ally under political pressure (specifically, during the preparation for the signing of the EEU Treaty). Belarus has not received the sixth and final installment of a loan from the EurAsEC Anti-Crisis Fund (ACF). Since the beginning of the year, the

Belarusian authorities have expected a USD2 billion state loan from Russia; however, as of the start of the period under review, only USD450 million had been allocated. Even now that the EEU Treaty has been signed, it is unclear what will happen to the rest of the amount. Therefore, the Belarusian authorities started hasty talks with various financial institutions in Russia with a view to taking a bridge loan as soon as possible. Such a loan was extended to Belarus by Russia's state-controlled VTB Bank as late as 27 June. The terms of the loan were not disclosed, but there is every indication that it was provided on market terms.

3. During the six months under review, official Minsk enabled Moscow to increase its military presence in Belarus by allowing six Russian Su-27 fighters to be based at an airfield in Babrujsk. Officially, the move is attributed to the need to give an adequate response to the buildup of NATO's military presence near the borders of the Union State of Russia and Belarus.

4. In the first half of 2014, active diplomatic contacts with the European Union at various levels, which had begun back in the final quarter of 2012, continued. The number of contacts has finally started to change into quality. In late January, talks between Belarus and the European Commission over the agreements on visa facilitation and readmission were officially started. On 12 June, Minsk played host to expert consultations between the Foreign Ministry and the European Commission on the draft international agreement on visa facilitation. The following day, on 13 June, consultations of experts of the Belarusian Interior Ministry and the European Commission were held, focusing on the draft readmission agreement. So far, discrepancies remain between Belarus and the EU concerning certain components of the draft agreements; however, the talks progress as scheduled.

5. Minsk and Brussels are also in talks over the launch of the so-called 'Interim Phase' of cooperation. It is planned that this platform for dialogue will be used to identify points of mutual interest in the modernization of Belarus. On 28 May, Minsk hosted the first round of consultations on modernization, with the participation of Deputy Foreign Minister Aliena Kup yna and Gunnar Wiegand, European External Action Service Director for Russia, Eastern Partnership, Central Asia, Regional Cooperation and OSCE countries. The EU delegation also comprised another high-ranking official — Michael K hler, Director for Neighbourhood of the Directorate-General for Development and

Cooperation of the European Commission. According to a report by the Belarusian Foreign Ministry, "the main goal of the consultations on modernization is to determine the best future form of cooperation between the Government of Belarus and the European Union."

6. A few significant events took place in the framework of the relationship between Belarus and the United States. On 25–26 February, Cheryl J. Dukelow, Commercial Counsellor of the U.S. Foreign Commercial Service (Department of Commerce) paid a working visit to Minsk. She met with a number of Belarusian officials, including Deputy Minister of Foreign Affairs Aliaksandr Hurjana . On 2–4 June, Eric Rubin, Deputy Assistant Secretary in the Bureau of European and Eurasian Affairs of the U.S. Department of State, visited Belarus. He met with Foreign Minister of Belarus Uladzimir Makiej, representatives of the diplomatic corps and civil society. According to the U.S. Embassy in Minsk, in his meetings, Mr. Rubin explored the possibility for continued improved cooperation with Belarus on areas of mutual concern, such as combating trafficking in persons, business contact, and non-proliferation. On 17–18 June, Washington hosted the first Belarusian–U.S. consultations on international security. The consultations centered on a wide range of challenges of international security in the global and regional contexts, including non-proliferation, export control, activity of the Conference on Disarmament, as well as liquidation of chemical weapons.

7. On 21 June, the head of the Human Rights Center Viasna Alies Bialiacki was released from a penal settlement ahead of the end of his sentence. Official Minsk thus showed that if certain conditions are met, it is capable of making concessions in the issue of political prisoners and appreciates the progress of its negotiations with the West.

Description of additional developments

1. Minsk has been making great efforts to keep its neutrality concerning the crisis in Ukraine. Maintaining good neighborly relations with Ukraine is of paramount importance to Belarus

because of close trade and economic ties with that country and for political reasons — the pro-Western government in Kyiv can act as a mediator between the Belarusian authorities and the West. However, unlike the situation that followed the Russian–Georgian conflict of 2008, the room to maneuver between Russia and the West is limited.

2. Belarus's relationship with Poland has finally intensified since the presidential election in Belarus in 2010 — these few years saw probably the worst spell ever. On 2–3 April, Minsk hosted a meeting of the Belarusian–Polish Working Group for Trade and Investments that is part of the Joint Belarusian–Polish Commission for Economic Development. The delegations were led by Deputy Foreign Minister of Belarus Aliaksandr Hurjana and Deputy Minister of Economy of Poland Andrzej Dycha. The Polish delegation was also received by Deputy Prime Minister of Belarus Michail Rusy. Not only the level of the event is remarkable, but also the very fact that it took place, for it was the first meeting of this kind since December 2010.

3. On 3 April, the Belarusian–Polish Business Forum was held, celebrating the opening of the Victoria-2 Hotel, which was built with the use of Polish capital. The Polish delegation was led by Deputy Foreign Minister Katarzyna Kacperczyk. During the two days of intensive bilateral negotiations, Belarusian and Polish officials and businesses addressed a broad range of economic issues that had accumulated over the past few years, when mutual contacts had been limited. On 17 April, a telephone conversation between Aliaksandr Lukashenka and Prime Minister of Poland Donald Tusk was held at the initiative of the Polish side. The press service of the Belarusian head of state said in a statement (which was later deleted from the official website of the president for some reason) that the conversation centered on the international situation in the context of the Ukrainian developments. The very fact of the conversation looks promising and confirms the assumption that Minsk's stance on the situation in Ukraine may catalyze a more serious negotiation process between Belarus and the European Union. ■

Brief forecast for the next six months

In the second half of 2014, the Belarusian–Russian relations will focus on the preparation for the coming into effect of the EEU Treaty. Gradual unification of various aspects of economic life in the framework of Eurasian integration will continue.

Talks with the European Union over visa facilitation will also continue. It is likely that by the end of the year, the texts of the agreements on visa facilitation and readmission will have been harmonized. The relations with the United States will gradually shape their own agenda, which will initially include the issues that appear to be least sensitive for both sides, such as the resumption of all activities of the two embassies, growth in mutual trade, and international security.

Trend 5

Cultural policy

Main tendencies: Stagnation with no quality changes

General characteristic of the main tendencies

The development of Belarus's cultural life in the first half of the year indicated not so much the appearance of new trends, as the consolidation of the tendencies that were outlined previously. The sensitive problems of the official cultural policy — the lack of any distinct concept for the development of national culture and politicization and ideologization of cultural field — were further aggravated by the mounting personnel crisis and strengthening of administrative controls in the cultural sector. Although the authorities have recently refrained from placing any bans on creative activities that could draw a negative response, it became apparent that 'blacklists' of performers have not been taken off from the table.

The separation into official culture, financed from the state budget and enjoying the support of the authorities, and unofficial, or semi-official 'underground' culture still remains. Their aesthetic and ideological contradictions have led to visible confrontation, which does not contribute to the consolidation of society. 'Soft Belarusianization' also remains inconsistent — the authorities are taking too long to implement this policy, whereas civil society comes up with way more exciting and creative initiatives.

During the period under review, several successful cultural projects were implemented in Belarus. Although the main events of the first six months of the year were either directly or indirectly associated with the 2014 IIHF Ice Hockey World Championship in Minsk, the preparation for the Championship went well beyond the framework of a mere sporting event.

Description of the main developments that defined the trend

1. The main event of the first half of the year 2014, as seen by the Belarusian authorities, was the 2014 IIHF Ice Hockey World Championship that took place in May. Given the lengthy international isolation of the country from the West, the ice hockey tournament was supposed to display the "strong and prosperous" Belarus and all advantages of its economic, social and cultural policies. However, the official authorities sometimes failed to keep within reasonable bounds. Their chronic desire to take any event under their control and consequently bureaucratize it often had amusing results. The working hours of not only Minsk-based, but also regional museums were expanded to virtually 24/7; there were dozens of special concert programs developed for the Championship, and musical and theatrical groups worked seven

days a week. However, ice hockey fans did not meet the expectations of the authorities, as most of them stayed in the fan zones the whole time before and after the games. Anyway, the cultural life of the capital city was rich and exciting this spring.

2. Owing to the Championship, large-scale exhibition projects became a possibility: the National Arts Museum presented the ambitious exhibition "Ten Centuries of Belarusian Art", which brought together unique artifacts in a single display.

The exhibition of Belarusian avant-garde "Avant-gARTe. From the Square to the Object", which presented the results of a decade's worth of work by some Belarusian artists, was shown at three sites in Minsk. The Museum of Modern Fine Art showed an open-air exhibition "An Artist and the City. BelART.by" in Jakub Kolas Square, and the exhibition "Belarus's Legacy" was on display near Čaliuskincaŭ Park. The downtown saw significant transformations, with the statues "Wójt" and "Municipal Scales" installed near the town hall to celebrate the year 1499, when Minsk was granted Magdeburg rights.

3. The 'blacklists' of performers, which seemed to have been cancelled in late 2013, reappeared on the agenda. Ordinance of the President No.257 *On the Organization and Holding of Cultural and Entertainment Events* gave the authorities a legal possibility to prevent performances by unwanted musicians by simply denying them tour cards.

The department for ideology, culture and youth affairs of Minsk City Executive Committee refused to issue a tour card for AMAROKA band, which had planned to present its new album *Virus in Re:Public Club* on 5 June. The band was denied the card in accordance with Paragraph 5, Section 2 of the Provision *On the Organization and Holding of Cultural and Entertainment Events*. According to officials, AMAROKA's playlist included songs promoting war, extremism or "threat to national security, public order, morality and health of the population, as well as rights and freedoms of citizens." The musicians, who deny the accusations, did not receive more detailed reasons.

The musician Zmicier Vajciuškievič and Belarus Free Theatre still find difficulties in organizing their performances. Concerts of the band Liapis Trubeckoj are also banned in Belarus. Its frontman Siarhiej Michalok announced that the band would cease to exist starting 1 September 2014. If this happens, Belarusian rock music will lose one of the most unique bands ever.

4. The 'Soft Belarusianization' process remains quite contradictory. On the back of the political crisis in Ukraine and special place of the language issue in the aggravation of that crisis, it would have been logical for the official Belarusian authorities to clarify its position on the issue. The president provided this clarification in the first lines of his annual address to the nation and the National Assembly on 22 April. Aliaksandr Lukashenka assured the nation that "the great Russian language will develop freely in Belarus, just as our 'mother's native Belarusian language' [he said this in Belarusian]. If we lose the Russian language, we will lose our mind! If we forget how to speak Belarusian, we will cease to be a nation."

Unfortunately, the situation did not change in practice: the Belarusian language is hardly ever used by high-ranking Belarusian officials, and its use at the official level is limited to a certain "folklore and ethnographic reservation" — performances by folk groups at nationwide festivals. The official authorities are extremely cautious about any initiatives of the civil society to promote the native language and, as a rule, never support them. A march in national Belarusian costumes in the framework of the Kupalskaja Chada initiative was banned; the information and outreach center Art-Siadziba lost its rented premises ahead of the expiration of the lease period, and the Belarusian Language Society, which celebrated its 25th anniversary in June, cannot get itself preferential rent rates. The publisher Ihar Lohvinaŭ, the owner of the publishing house with the same name, which was shut down in 2013, registered the NGO Literary House Lohvinaŭ in Lithuania and discontinued operations in Belarus. As a result, our culture lost the publishing center that specialized in contemporary Belarusian fiction and technical literature, as well as translated publications.

The consistent educational effort of the social and cultural television channel Belarus 3 and the radio channel Kultura is a pleasant exception — unfortunately, probably the only one — which cannot change the situation for the better on its own, though.

5. Civil society proves to be way more creative when it comes to Belarusianization: along with hugely popular Belarusian language lessons Movacikava, free-of-charge language courses Movananova have been launched in Minsk. In March, the publishing house Goliafy opened a new bookstore. The organizers plan to turn the new store into a center of propaganda of Belarusian literature and a platform to present the works by nationally-oriented musicians and artists. The Budzma! campaign also carried out a slew of exciting cultural projects. Furthermore, the fifth edition of the AD.NAK! festival of Belarusian-language advertisement was held in June.

Description of additional developments

1. Because of the lack of any consistent state policy on national culture, a certain personnel crisis has arisen in the sector, which is quite easy to account for. The main criterion for the selection of personnel is still the commitment to the official ideology. One example is the appointment of Iryna Dryha as the first deputy minister of culture. Previously, she worked as head of the department for social and cultural policy of the central ideology department of the Presidential Administration and, according to Zmicier Vajciuškievič, was directly involved in banning his concerts.

2. However, the 'ideological validity' of the officials working in the cultural sector does not always mean professional suitability for this quite specific area. In February, the company of the Youth Theatre gave a vote of no confidence to the director of the theatre Mikalaj Kaziulin. The reason behind the strife was the decision of the director, who had been appointed two months before and had had no professional experience in managing a drama theatre, to remove from his office the art director of the theatre Uladzimir Savicki and abolish that post. In that particular case, the conflict resulted in a dismissal of the director; however, the appearance of unprofessional functionaries in the cultural sector and their attempts to use administrative methods to intervene into the creative process have grown increasingly widespread.

3. The ban on the use of the Pahonia coat of arms during Mikalaj Pinihin's production of Pan Tadeusz, based on a poem by Adam Mickiewicz, at the Janka Kupala National Academic Theater, caused a negative response of the Belarusian creative community. The image of the ancient Belarusian coat of arms that was on the stage during the dress rehearsal and the first performance evoked criticism of officials at the Ministry of Culture and was removed on the first night of 15 January.

4. The main cultural project of the country — the revival of the production of Sluck belts — was given a boost in the first half of 2014. President Lukashenka, who visited the enterprise "Sluck Belts" in April, was presented with a development model, and the contemporary Sluck belt was transferred to the Palace of Independence. The event, which received an enormous amount of media coverage, caused ambivalent feelings: on the one hand, one should welcome the efforts of the state to restore one of the most beautiful, distinctive and unique folk crafts; on the other hand, the way the project is implemented gives an impression that it was aimed at creating a production of souvenirs for the 2014 Ice Hockey Championship in Minsk. ■

Brief forecast for the next six months

The cultural landscape will keep developing within the framework of the established trend. There are no reasons to expect any tangible liberalization of the official cultural policy, although if the state seeks normalization of its relations with the West, the authorities will try to avoid any high-profile bans and limitations on creative freedoms. The upcoming presidential election demands that culture should provide both ideology and propaganda support for the current development model. The polarization of cultural processes will remain, and the personnel crisis will likely deepen.
