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Summary

The BISS presents the 12th issue of the BISS-Trends quarterly monitoring series. We focus on the five key trends: 1) political democratization/ political liberalization; 2) economic liberalization; 3) good governance and the rule of law; 4) geopolitical orientation; and 5) cultural policy.

This monitoring report covers the October – December of 2012 and includes the expert reviews and opinions based on the event analysis and process tracing.

The report structure is as follows:

1. summary of the monitoring results;
2. description of each of the five trends.

Each of the trends was reviewed according to the pattern below:

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

Symbols used in the report:

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

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Monitoring Results: Summary

In the fourth quarter of 2012, the experts noted the continuing stagnation or regression as regards almost all the trends considered. In early 2013, Belarus enjoys much less certainty in the economic sphere than a year ago. The conscious refusal in the economy restructuring and the “enslaving” industry modernization mean that a policy decision about the reformation of the currently existing economic model in Belarus is again postponed to a later date.

The social and political life was only slightly enlivened by the parliamentary elections, and the stagnation continues here. Despite the fact that the top political leaders of the country did not approve the transformation of the public association “Belaya Rus” (“White Ruthenia”) into a political party, this transformation still has a potential. Besides, the amendments to the Electoral Code are being developed in order to neutralize a certain dependence of the political system on the tactical actions of the opposition groups.

The economic sphere, during the period under review, was characterized by the absolute regression. The key deliberalization events, in terms of both the economy and the governance quality, were the non-legal renationalization of the confectioneries and the narrowly defined industrial modernization, coupled with the enslaving decree on employment in the woodworking industry. The massive modernization, vaguely resembling the Stalinist industrialization, without the introduction of economic incentives and with the preservation of the existing system management and decision-making principles, is likely to result in even more inefficient spending. It should be noted, that in 2014 the political motives will be dominating over the economic motivation due to the approach of the next presidential election.

In order to start the inflation targeting, the National Bank need to increase the amplitude of the exchange rate fluctuations. However, the certain changes in the exchange rates result in a boom at the currency exchange points, since the devaluation expectations of the population remain high, and the National Bank have failed to manage this situation so far.

The geopolitical situation remained the same: there was no progress in the relations with the West, while the threatening shift in the foreign policy in favour of Russia still remained. Minsk did not take any steps to improve the human rights situation and to release the political prisoners, which is essential for the normalization of the relations with the EU and the U.S.. The relations with Russia somewhat deteriorated due to the negotiations about the oil supply and the fuel balance. However, these tensions did not erupt into an open public conflict, and the integration processes were not interrupted.

In the last quarter of 2012, the deliberalization of the country’s cultural life continued, including its politicization and ideologization, along with the polarization of the cultural processes. The government continued supporting a few extremely ideologized cultural projects and treating with prejudice and fear the informal projects, the implementation of which is, as a rule, not supported by the government. The “Soft Belarusization”, emerging before, has almost completely stopped.

Talking about the plans to modernize the industry sector, A. Lukashenka demanded to reduce the expenditure on the sports and culture. Therefore, in 2013, the number of the publicly funded programmes will be gradually reduced. The government will do everything possible to preserve the activities representing the official cultural discourse. Meanwhile the projects, primarily related to the revival of the national consciousness, the promotion of the Belarusian language and the national cultural values, will be under threat. ■

Trend 1

Political Liberalization/ Political Democratization

— No change

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

The forecast came true: the reduced activity of the opposition groups after the parliamentary elections resulted in a reduction of the repressive activity on the part of the government. The traditional mass events (such as Dziady – the ancient Slavic feast to commemorate the dead, and the anniversary of the Rebellion at the town of Slutsk) were permitted by the authorities and on the whole were held without incidents. At the same time, a number of the participants of the opposition's actions, unauthorized by the authorities, were brought to the administrative responsibility and either arrested, or fined.

During the period under review, neither changes in the legislation and the law enforcement practice, nor remarkable repressions were observed in the areas related to freedom of expression and freedom of association. However, there are the certain draft laws on the agenda, affecting the public associations and providing for the changes to the election process. It is not yet possible to evaluate the meaning of them within the "liberalization – deliberalization" scale, as well as the potential transformation of the public association "Belaya Rus" into a political party. These changes in the political system can be interpreted in different ways, depending on the broader political context.

Justification for the new trend

The most significant trend is the controversial process of the potential (but not yet completely determined) reform of the political system. The latter is taking place amid the obvious stagnancy in the political life, which was only slightly enlivened by the last parliamentary elections.

The essence of the reform is the possible transformation of the public association "Belaya Rus" into a political party, with a concomitant increase in the influence of the pro-government organizations on the political system. Despite the fact that the top political leaders of the country vetoed the very process of emancipation of "Belaya Rus", a number of the indirect indications suggest a potential change in the legal framework for the activities of the public associations.

For the moment, it is not yet the intention to establish "the constructive opposition" and "the party of power", but only to eliminate those elements of the political process, within which the opposition's actions may violate the course of the events desirable for the public authorities, as well as to transfer the decorative functions, per-

formed by the independent opposition groups, to other actors.

The changes to the Electoral Code, proposed by the Central Commission for Elections and National Referendums, as well as the changes to the Law on Public Associations considered by the Parliament, were designed to neutralize the certain dependence of the political system on the tactical actions taken by the opposition groups.

In particular, these changes are intended to eliminate the possibility of a real or imaginary ballot strike (boycott of the election) through an artificial increase in the number of the entities eligible to nominate their candidates. In addition, the changes proposed were intended to exclude a call for a ballot strike from the legislative concept of an election campaign. In the course of the last election campaign, the CEC banned the pickets for election boycott as part of agitation campaign, making use of the rule of advance notification procedure for public meetings.

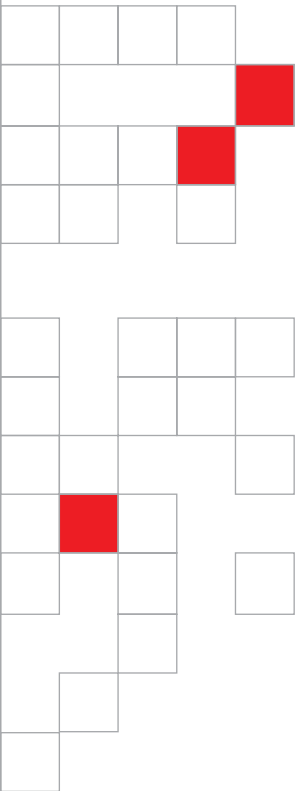
Description of the key event(s) that defined the trend

The main event, determining the trend, were the proposals about the changes to the Electoral Code of Belarus, developed by the Central Commission for Elections and National Referendums and submitted to the President.

Despite the fact that the very text of the changes proposed was not published, one can judge about the importance of this project on the basis of the oral explanations given by the Commission members. The draft amendments to the Electoral Code of Belarus provide for the right of the national public associations to nominate their candidates, if they number over a thousand members. At present, only political parties enjoy this right, while the role of public associations is limited to nominating their representatives as members of the election commissions and observers.

According to the preliminary information from the Ministry of Justice, there are about a hundred of such organizations in the country; however, theoretically, each of the 685 national associations, existing as of October 1, 2012, can increase the number of the members up to the required level.

Besides, the draft amendments provide for cancelling of the public funds provided for the election campaign and financing the latter at the expense of the election campaign funds. It is worth noting that, during the last elections to the House of Representatives of the National Assembly of the Republic of Belarus, less than one third



of the candidates exercised their right to set up a private fund for his/her election campaign.

The implementation of the proposal to cancel the public financing of the election campaigns will transform the electoral process in a competition of the private funds under control of the government, which will not contribute to the democratic character and fairness of the electoral process.

The amendments proposed provide for the exclusion of a ballot strike promotion from the concept of an election campaign. As a result, the supporters of the boycott would not be able to benefit from a simplified procedure for public events, which is applicable to the promotional rallies.

According to the plan of the legislative activities for 2013, the text of the draft law is to be prepared by the National Centre for Law and Legal Studies, the Council of Ministers of Belarus and the Central Commission for Elections and National Referenda by June, 2013. In September 2013 this draft law is to be submitted to the Parliament by the President.

Description of additional events

Belarus continues providing the targeted governmental support to those associations that were initiated by the government and support the existing political regime. In particular, the Belarusian National Youth Union enjoys the unprecedented financial support from the government that is provided on a non-competitive basis.

Decree # 559 of the President of Belarus of December 17, 2012, On Certain Aspects of Governmental Support to Public Association “Belarusian National Youth Union”, provides for inclusion of the Union members, elected to the Union’s governing bodies, in the boards of the Ministries of Information, of Culture, Education, Agriculture and Food, Sports and Tourism, Labour and Social Protection.

The Decree also provides for covering the expenses of the Union in 2013, including the current expenditures of the Union’s territorial committees, at the cost of the respective local budgets. Previously, the funding was provided from the national budget of Belarus. Characteristically, some of the provisions of the Decree, regulating the financing issues, should not be published and are intended for the internal use only.

Despite the fact that the transformation of the public association “Belaya Rus” into a political party, that has been discussed for the several years, did not take place again (this time due to the political decision taken by the head of the state) and was announced for the autumn of 2013, the legal framework for such transformation is still being debated in the Parliament. In particular, on December 19, 2012, the Standing Commission on Human Rights, National Relations and Mass Media (at the House of Representatives of the National Assembly of Belarus) held a meeting. The Deputy Chair of the Commission, Ms. T. Krasovskaya, who is responsible for the preparation of the draft Law on Amendments and Additions to Certain Laws of Belarus on Political Parties and Other Public Associations, informed the meeting participants about the progress in the preparation of this draft law for the first reading.

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

The remaining components of the trend (freedom of assembly, freedom of expression and freedom of association) within the legislation reform were accompanying the main trend and did not change the whole picture.

As for freedom of assembly, the reduction in the number of the administrative arrests was due to both a slight easing of the repressive sanctions (in some cases, during the administrative court proceedings, the persons accused of violating the procedure of holding mass events were fined, but not subjected to administrative detention), and to a low number of such actions and their participants.

According to the data found on the website of the Human Rights Centre “Viasna”, in the fourth quarter, a decrease was observed in the number of the recorded cases of administrative proceedings and administrative arrests. This trend was determined by a certain decline in the opposition activity in the fourth quarter in the situation the routinized repressions.

The decline in the protest activity during the post-election period was also explained by the tactics of boycotting the elections, chosen by the majority of the opposition groups, which had a pronounced orientation on demobilization. In essence, the main opposition rallies in this period were the traditional events, held annually. They

	I quarter	II quarter	III quarter	IV quarter
Administrative proceedings	204	111	45	20
Administrative proceedings involving administrative detentions	92	60	20	9

were permitted by the authorities and did not involve a large number of the participants (two actions on Dziady day in Minsk; the anniversary of the Rebellion in Slutsk).

As for freedom of expression, the main event was the persecution of the “Arche” magazine, which began in the third quarter, before the

elections. The magazine continues its work, but the former editor in chief, Valerie Bulgakov, had to emigrate. And as for freedom of association, the most significant event was the elimination of the human rights organization “The Platform”, which, however, was soon re-registered as a new institution, “Platform Innovation”. ■

Brief forecast for the next quarter

Since no remarkable political events should be expected in the coming quarter, and resumption of the dialogue between Belarus and the West depends primarily on the release of the political prisoners, and only secondly on the issues related to freedom of speech, assembly and association, the stagnation in this area will continue. Presumably, the intensity of the repressions will be falling down, in line with the downturn in the activity of the opposition groups.

The traditional spring actions of the opposition (held on March 25, April 26, and May 1) will not change this tendency, unless a sharp and explosive division occurs within the opposition, between the moderate and the radical groups. Although the latter option is possible, it is unlikely, since any step towards the rhetorical radicalism inside the Belarusian opposition (for example, a denial to follow the march route permitted by the authorities and holding the event on March 25 in an alternative location) appears to be very modest when compared to the intentions declared and the statements made by those opposition members who emigrated.

It appears that the discussion about the amendments to the Electoral Code and the Law on Public Associations will be continued in early 2013.

Brief forecast for the year

The proposal to entitle the associations to nominate their candidates will be blocked by the political leaders of the country, because it creates a new space for the consolidation of the opposition within the framework of the legally existing associations. The rest of the amendments will be made in the autumn of 2013 and will serve as the basis for the electoral campaign during the elections of the deputies to the local councils, which will be announced at the end of 2013.

In the event of a resumption of the dialogue with the West, the changes to the electoral law could be one of the topics for discussion. In this case one can also expect some remarkable independent associations or parties to be registered.

In 2013, the activity of the political parties and associations, loyal to the regime, will be still increasing, including the mobilization of the electorate. The opposition groups will encounter difficulties in mobilizing their supporters, even for participation in the actions sanctioned by the authorities. The participants of the unauthorised actions will be detained and punished, primarily in the form of arrests. The preventive detentions of the individuals will also be applied. The main restrictions of freedom of expression will be based on the practical application of the legislation on control in the Internet.

Trend 2

Economic Liberalization

▼ Regress

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

The forecast was accurate in part: the monetary policy was excessively harsh for the real economy sector, but the projected privatization transaction of USD 2.5 billion, needed to receive the fourth instalment of the EurAsEC Anti-Crisis Fund (ACF) loan, has failed. The negative predictions about the trade balance came true, mainly due to the collapse of the “solvent” scheme.

Justification for the new trend

The intention to implement the large-scale modernization of the industrial enterprises, including the unprofitable ones, is a desperate attempt to break through to a new situation in the economy, which could provide a more robust growth. The dropping incomes of the population during the crisis of 2011 sharpened the problem of migration. The government were forced to quickly raise the incomes up to the pre-crisis levels, but these measures brought a limited success. The understanding of the insufficiency even of the unjustified increase in the incomes, and the inability to secure the long-term growth rates have led to the idea of the industrial enterprises modernization on the model of the Stalin-era industrialization.

Meanwhile, the modernization is understood in the narrow sense of the technological upgrade, without changing the nature of the economic environment, property relations and decision-making policies. Unwilling to create economic incentives for the proper behaviour of the actors, the government have opted for non-economic boosting efforts. This was confirmed by Lukashenka’s threat to jail the appointed director of the Kamvol plant in case of unsuccessful development of this enterprise.

The government has actually given up the status of the welfare state. The investments in the social sector, including the construction of the cultural and sports facilities, were minimized, while the priority is given to the industry development. Decree #9 is a non-legal mechanism violating the international conventions, as it introduces obligations related to forced labour. The woodworkers, who allegedly do not understand how lucky they are to be employed by the modernized enterprises, will actually be enslaved. In fact, they will have only two options to choose between: to work for the enterprise either voluntarily, or forcedly.

The decision to upgrade the industrial enterprises was an interim solution, while the major conceptual decision on what to do with the Belarusian economy model, was postponed to the second half of 2013 or to a later period.

Meanwhile, the purposes declared are even more controversial than in the previous year. The country has no sources for a serious economy growth and increasing incomes. It is more difficult now to solve the problem of the macro-economic stability because the “solvents and thinners” scheme no longer operates and the external environment is deteriorating, while the amount of financing of the external debt is higher than in 2012.

Description of the key event that defined the trend

From the point of view of the economic liberalization, the actual re-nationalization of the Spartak and Kommunarka confectionery companies was obviously a negative phenomenon. The supervisory boards were abolished in violation of the currently applicable law on joint-stock companies, for it is only the general meeting of the shareholders who have the right to make such a decision. In fact, the government returned the control over the assets, which, according to the public authorities, had been unjustly privatized before 1994. The timing for the re-nationalization of the enterprises was bad: this happened one month prior to the Minsk Investment Forum, in view of the plans for the social and economic development for the next year and the intention to raise the foreign investment in an amount of USD 4.5 billion.

After A. Lukashenka’s visits to the large wood processing enterprises (in Ivatsevichy, Barysau, Mahilou), the decision to “totally modernize” this industry became quite distinct. The methods applied are similar to the primary industrialization of Stalin’s era. It would also be appropriate to compare it with the Soviet Union in the period before restructuring (“perestroika”). At those times, the big investments in the engineering industry, intended to accelerate the economic development and create conditions for a technological breakthrough, resulted in the inefficient waste of the resources and, ultimately, undermined the economic well-being of the Soviet Union, which forced the ruling elite to opt for restructuring. According to Lukashenka’s statements, the total industrial upgrade was a response to the IMF’s proposal to carry out the structural reorganization.

Description of additional events

Currently, a draft decree is being developed, the essence of which is the elimination of the supervisory boards in the private or rented industrial facilities. The decree provides for the elimination of the minority shareholders representation in the local supervisory boards. The government

will also be entitled to be represented even in those companies, in which the government has a minimum stake. Coupled with the government's participation, voting of the "silent" (non-voting) shares in such companies would make the position of the government even stronger. In fact, this is a return to the "golden share" rule, but in a much less legal forms, when, having even a minimum capital, the government will be able to influence the key decisions.

Since the governmental representative would be chosen from the top officials (at least, the officials of the Minsk Municipal Executive Committee or the regional executive committees), this situation could also lead to a conflict of interests between those who manage the economy and define the rules and those who are forced to act according to these rules.

On December 22, after a half-year pause, the National Bank returned to providing liquidity through the Lombard auctions. In fact, one more 35% rate was introduced, apart from the refinancing rate, which is viewed as the discount rate throughout the world. The monetary policy is becoming even tougher, and the real economy sector has to operate in even more difficult conditions.

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

The government seemed to abandon its initial attempts to make the shareholders of the Luch company increase the government's share at 25%, but ultimately the shareholders 'passed' to the state 5.4% of shares. The Presidential Administration was asked to develop an alternative project on creation of a holding in the shoemaking industry. Perhaps the authorities understood the negative effect of the nationalization of the confectioneries and decided to take a step back. Although this event can be named as a relatively positive one, it did not affect the obvious overall anti-liberalization trend.

The National Bank insisted on the purposes declared and prevented the attempt to stimulate the growth rates through crediting of the certain industries by the state-owned banks. This can also be characterised as a positive event in terms of liberalization. Even less participation in the foreign exchange market is intended for the next year. This means that the National Bank will seek to increase the fluctuations of the currency rates and to control the inflation. ■

Brief forecast for the next quarter

The decision to allocate the next instalment of the EurAsEC Anti-Crisis Fund (ACF) loan, while the conditions of privatization are unfulfilled, means that the negotiations about this subject were postponed to the next year. Obviously, the government decided to resort to privatization only in the most extreme situation of the external funding deficit and unfavourable conditions for the foreign trade.

The amount of the oil supplies, agreed only for the first quarter of 2013, suspends the decision for the whole year, which makes it possible for Russia to demand taking of the certain steps from Belarus. On the other hand, it is not too difficult to fulfil the obligation about the privatization transactions of 2.5 billion. This amount could be achieved, for example, through the IPO of 10% of Belkalmium. However, the government's ideological choice is to allow no privatization at all, and even to nationalize the property, that is, to restore the full control of the State over the property, as well as over the companies in terms of enslaving the employees.

The macroeconomic stability, as the objective declared, is unattainable in the short term. The events of October showed that the devaluation expectations in the society remain strong and worsen the situation in the real sector. Despite the earlier forecast about a smooth decrease in the rates during the year, they stopped on the record of 30%.

Brief forecast for the year

The procurement of the new equipment for the enterprises can provoke a certain growth of the GDP. The investments in the fixed assets will also have an impact on the index describing the size of the investment in the economy. However, this will not result in a significant beneficial economic effect. When this is understood (roughly, in the second half of 2013), the certain political decisions will be taken, such as a decision about the resignation of the government. At the same time, a decision to start a process, similar to the Soviet "perestroika", will not be taken due to the increasingly significant factor of the next presidential election in 2015. Therefore, the issues of "band-aid" to the economy and the episodic sales of "the family silver" will be topical.

Trend 3

Good governance and the rule of law

▼ Regress

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

We assumed that, in the situation of the growing tension in the financial and economic sphere, one could expect the trend for regression to stop and the authorities to take some steps towards liberalization of the legal environment. Despite the “facelift” of the legal and governance systems, and the certain progress in some other areas (for example, in the tax administration and justice), the general regression apparently continued, that is the previous forecast did not come true.

Justification for the new trend

The scandalous violation of the property rights and the nationalization of the largest confectionery factories, Kommunarka and Spartak, the discussion about the creation of the garment and footwear industry holding under the aegis of the government, as well as the Decree on enslaving labour contracts in the wood processing industry were the most significant adverse events of the period reviewed, when evaluating the trend in terms of liberalization.

The positive aspects included the adoption of the resolution on the compulsory categorisation of the cases in the courts, and of the programme for development of the information infrastructure in the tax authorities, which, undoubtedly, will contribute to the quality of management. Despite a number of the undoubtedly positive events, the “leading stories” characterise the main trend of the fourth quarter as “a regress”.

Description of the key event that defined the trend

The main event of the period was the scandalous nationalization of the Kommunarka and Spartak confectionery companies in October of 2012. The elimination of the supervisory boards and the decision to issue additional shares under the order of the President, without a decision taken by the meeting of the shareholders, i.e. the owners, made the State the majority shareholder, which is a blatant non-legal precedent.

Judging by the statements made by the government officials, this case may be not the last one. Thus, the creation of a garment and footwear industry holding under the aegis of the government is being discussed.

Naturally, the foreign and domestic private investors refrain from investing in the country's

economy, since they are not confident that a new decree will not be adopted tomorrow to restrict their rights.

Description of the additional events

In early December, the State Property Committee of Belarus announced that they had developed a draft Decree about the owners' supervision, which provides for the appointment of the authorized representatives in those joint stock companies, in which the State owns no share, with the purpose formulated as protecting the rights of “the minority shareholders, our citizens”. It actually means that the State will have not simply the “golden shares”, but the “platinum” shares. This initiative is applicable to the joint stock companies that were created as a result of the transformation of the state-owned enterprises. However, we are talking here about nothing else than the retroactive effect of the law and the infringement of the previously acquired property rights. If such a version of the Decree is adopted, this will once again harm the investment image of Belarus.

Around the same time, in another sector of the economy, one more odious decision was taken. Decree #9, On Additional Measures to Develop Timber Industry, or rather its provisions on the remuneration and dismissal conditions, are similar to forced labour. Here we are talking not just about the instability of the Belarusian legislation and the possibility of making dramatic changes to it by adopting a new decree, but about the egregious violations of the basic labour rights, defined by the Labour Code.

The plan for privatization of the state-owned facilities in 2011-2013 was cancelled, i.e. a setback towards the old system took place, when a decision about the privatization of each enterprise was made individually by the President, or some other authorized body. At the same time, the plans to transform the “republican unitary enterprises” (RUP) into the “joint stock companies” (JSC) in 2011 – 2013, which includes 128 enterprises, is still in force, with some modifications.

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

After the several years of discussion, a resolution was adopted to introduce the compulsory categorisation of the cases in the courts in which the number of judges exceeds 10. The practice of judges' specialization is widespread in the world;

it promotes the judges' professional growth, gaining the experience in the certain areas, the uniformity of the judicial practice and, as a result, the high quality and prompt proceedings. In this regard, it can be expected that this resolution will have a positive impact on the law enforcement practices in the country.

The state programme for development of the information infrastructure of the tax authorities in 2013 – 2015 has the potential to become a success, in terms of improving the quality of the governance. The measures included in the programme – modernization of the technical equipment and information systems of the

Ministry of Taxation, improvement of the tax administration, transition to 100% electronic document flow between the tax authorities and tax payers, introduction of an automated system for analysis, auditing and forecasting of the tax revenues – will affect almost all the aspects of the society's life.

Despite those positive events, contrary to the trend, a number of the above-mentioned facts and controversial statements, exceptionally vital by their nature, had a key impact on the assessment of the prevailing trend as a very negative one. ■

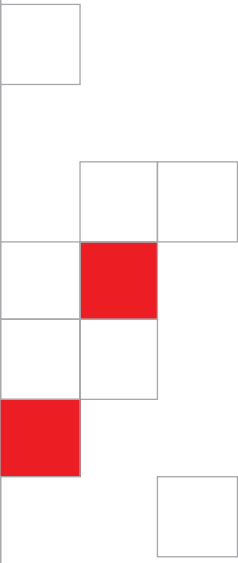
Brief forecast for the next quarter

The certain steps were taken to improve the administrative procedures, but not the business environment as a whole. In general, it should be recognized that the government has been successfully streamlining the administrative procedures for the last several years, including the information system improvements made to move towards the “e-government”. One can expect this trend to be continued.

If it is adopted in the wording proposed, the announced Decree on the state possessory supervision will result in an unambiguous regress and a significant drop of Belarus in the various economic and legal rankings.

Brief forecast for the year

The work on creating of the “e-government” and, consequently, improving the quality of the governance, will continue. However, one should not forget that the unified electronic document flow and the regulation of the Internet and the local area networks will increase the accountability of people and businesses to the government. In the area of the antitrust regulation, in the next year, the uniform legislation is expected to be adopted, intended to protect competition within the Customs Union, along with other measures to harmonize the legislation with the standards of the Customs Union and the WTO.



Trend 4

Geopolitical orientation

Pro-Russian vector:



No change

Pro-European vector:



Regress

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

The previous forecast was correct. There was no progress in the relations with the West. Minsk took no steps to improve the human rights situation and freed no political prisoners, which was essential for the normalization of the relations with the EU and the U.S. The relations with Russia somewhat deteriorated due to the negotiations about the oil supply and the fuel mix. However, these tensions did not erupt into an open public conflict, and the integration processes were not interrupted.

Justification for the new trend

In the last quarter of 2012, the relations with Russia remained dominant in Belarus' foreign policy. The formation of the Common Free Market Zone continued. However, Belarus continued searching for such a model that would, at the same time, maintain the existing economic and political model and enable the country to avoid the negative consequences of the integration in the Common Free Market Zone. In this regard, in the Belarus – Russia relations the serious contradictions remain, which, however, are rarely publicized, mainly due to the reluctance of Russia to demonstrate the negative aspects of the integration process.

The political relations between Belarus and the West remain frozen. Neither part is ready to make concessions. Despite this, the economic relations and the technical projects continue developing. After the crisis of the spring and summer of 2012, the relations with the EU seem to have stabilized in a state that can be called “a low-intensity conflict of values”. Meanwhile the number of the contacts and meetings at the level of the Ministry of Foreign Affairs has increased.

Description of the key event that defined the trend

On October 23, a programme of measures for 2012 – 2015 was signed to strengthen the cooperation between the enterprises of the military and industrial complexes of the Republic of Belarus and the Russian Federation. The House of Representatives of the National Assembly of Belarus ratified the Protocol on the amendments and additions to the Agreement on the procedure for payment and transfer of the export customs duties, payable when exporting crude oil and the

certain types of goods produced from oil from Belarus to the countries outside the Customs Union.

On December 13, the Memorandum of Understanding between the UNECE and the Permanent Committee of the Union State of Russia and Belarus was signed to organize the interaction between these two integration structures. At the end of December, the Agreement between Russia and Belarus on the gas pricing procedure for Belarus was finally ratified, and a low price for gas was fixed for the official Minsk. Also during the period under review, a series of the bilateral meetings was held at the high and at the highest levels.

However, the tensions remained as regards the justification the “solvent” business by the Belarusian party and the issue of the Russian oil supplies to Belarus. Although it is impossible to continue the operation of the “solvent scheme”, the official Minsk managed to settle the question of the compensation of the unpaid taxes to Russia in the amount of 1.5-2 billion dollars, having thus prevented the major problems for the economy in 2013. Russia's attempts to achieve the fuel balance, intended for 2012, have actually failed. While Minsk required 5.3 million tons of the Russian oil, Moscow agreed to supply 4.9 million in exchange for the supply of 200 thousand tons of fuel from Belarus. Despite the agreement to supply 5.8 million tons of petroleum to the Russian market in 2012, only about 100 tons were actually delivered.

As for the negotiations about the fuel balance in 2013, Russia has also failed to achieve the objective of reducing the oil supply from 23 to 18.5 million tonnes and receiving 2 – 2.5 million tons of petroleum products from Belarus. After the several rounds of the intense negotiations, the parties did not reach a final agreement about the fuel balance, but Belarus secured the oil supply needed at least for the first quarter of 2013.

On 7 December it was announced that Belarus will, none the less, receive the 4th instalment of the EurAsEC Anti-Crisis Fund (ACF) loan, despite the fact that the country had failed to fulfil the basic conditions for receiving it – neither structural reforms, no privatization had been carried out.

Thus, the official Minsk appears to have found a convenient geopolitical niche, which allows receiving the significant preferences and sub-

sities without the compulsory transformation of the political and economic system. In the situation of the implementation of the Eurasian Economic Union project by the Russian leaders, Russia needs a public demonstration of loyalty from the geopolitical allies. The Kremlin is forced to pay generously for such a demonstration, even against their wishes and despite the allies' willingness to evade their obligations. This geopolitical configuration is favourable for Minsk and allows conserving the low-intensity conflict with the West, without complying with the latter's requirements, but still preserving a possibility to normalize the relations in the future and use them as a 'bargaining chip' in the relations with Moscow.

Description of the additional events

On October 15, the meeting of the Council was held, following the results of which the restrictive measures in respect of Belarus (visa restrictions and targeted sanctions against a number of the companies) were extended till October 31, 2013. The reaction of the official Minsk to the extension of the restrictive measures by the EU was noteworthy: it was relatively reasonable and non-aggressive. Along with the traditional phrases about the double standards and unacceptability of the pressure for political reasons, the statement made by the spokesman of the Ministry of Foreign Affairs expressed a call for the EU to resolve all the disputable issues at the negotiating table.

The fourth quarter was also marked by a whole series of contacts between Belarus and the EU member states. Thus, the Days of the Belarusian Culture were held in Lithuania and in the city of Jelgava in Latvia. The Deputy Foreign Minister, Yelena Kupchina, visited Germany. Also in Germany (in Friedrichshafen), the Belarusian Economy Day was held. The meetings of the Belarus-Latvia and Belarus-Hungary intergovernmental commissions on economic cooperation took place in Minsk. The Belarusian-Dutch Business Forum was held in the Hague. The Ministry of Culture of Belarus and the Ministry of Culture and National Heritage of Poland signed the programme of cooperation for 2012 – 2014. In Vilnius, the agreement was signed between Lithuania and Belarus about the cooperation in the field of information and communication technologies and the information society development.

A series of meetings was held by the higher officials of the Ministry of Foreign Affairs of Belarus

and the heads of the diplomatic missions of the EU member states in Belarus (Poland, France, the Czech Republic, Estonia, the UK, Lithuania), as well as the telephone conversation between the Ministers of Foreign Affairs of Belarus and of the Czech Republic, the meeting of the Minister of Foreign Affairs of Belarus with the head of the Directorate for Russia, Eastern Partnership, Central Asia, Regional Cooperation and OSCE of the European External Action Service, Mr. Gunnar Wiegand.

On November 14, in Minsk, the Cytadel project organized the international conference "Belarus on Conjunction of Integrations", which brought together the representatives of the Presidential Administration of Belarus, the Belarusian Ministry of Foreign Affairs, experts from the governmental agencies, as well as the diplomats and experts from the EU Member States and the officials from the EU Delegation in Belarus. The participants of the conference discussed, among other things, the problematic issues of the Belarusian – European relations and the possible solutions.

It should be mentioned that the certain activation of the bilateral contacts with the EU member states does not indicate either the normalization of the relations with Brussels, or the cancelation of the pre-conditions, proposed to the official Minsk by the EU.

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

The trade turnover between Belarus and the European Union in January – October of 2012 amounted to USD 23.226 billion (119% against the same period of 2011). The Belarusian export reached USD 15.807 billion. This amount is by 25.7% higher than the amount reached in January – September of 2011. The export to the EU countries made 40.1% of the total exports from Belarus. The imports from the EU countries to Belarus amounted to USD 7.419 billion (which is by 7% higher if compared to the same segment of the last year). The import from the EU countries made 19.3% of the total import to Belarus in January – October of 2012.

Thus, the trade surplus for Belarus, as regards the trade with the European Union, made USD 8.387 billion. This trend for the increasing trade and economic relations is contrary to the level of the political relations between Minsk and Brussels. This indicates that the conflict between the parties is, above all, a conflict of the values, not the interests. ■

Brief forecast for the next quarter

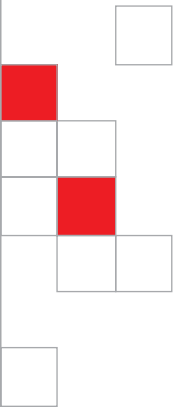
The current geopolitical configuration allows Minsk to gain the economic and political benefits from their alliance with Russia, without paying much attention to the conditions and requirements of the Western countries, having actually neither the leverages in the negotiations with the Belarusian leaders, nor their vital interests in Belarus. Therefore, if the political conjuncture and the interests of the key stakeholders in the region do not change, we should expect the status quo to be maintained.

In the case of a delay and/or complexities in the negotiations with Russia about the fuel balance, we can expect some symbolic gestures towards the EU, which, however, are unlikely to result in a significant improvement in these relations.

Brief forecast for the year

The relations with the EU will remain at the level of a low-intensity conflict, though both the parties are likely to make some efforts, from time to time, in order to organize the high-level dialogue. But due to the fact that the Belarusian leaders are not ready for the systemic reforms, one should hardly expect that the implementation of the political preconditions, proposed to the official Minsk by Brussels, (even if this ever happens) will significantly improve the relations and result in signing of the fundamental treaties on the bilateral relations.

The return of the official Minsk to the policy of balancing between the East and the West is possible in case of the increasing pressure from the Kremlin and the failure of the latter to fulfil the commitments in the framework of the integration processes.



Trend 5

Cultural Policy

▼ Regress

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

The forecast, presented in the previous issue of the BISS-Trends, came true. The cultural policy of the government, which did not undergo any significant changes in the fourth quarter, leads to the situation when the national culture of Belarus continues to exist in the non-free conditions. The trend for deliberalization, previously mentioned, persists: creative freedom is artificially restricted, and the unmotivated restrictions and prohibitions are introduced. Belarus still has the so-called “black list” of performers, whose live music concerts are banned in the country.

We observe the obvious politicization and indoctrination of the cultural life in the country, where the value of a cultural project is determined not by its aesthetic qualities, but, above all, by the social and political position of the authors and their desire to publicly demonstrate their support for the government. The tendency remains for the devaluation of the cultural products representing the official discourse: the themes, genres and aesthetic diversity here is limited. The “soft Belarusization”, emerging before, has almost completely stopped.

Justification for the new trend

The trend, which continued in the last quarter of 2012, reflects the further deliberalization of the country’s cultural life, its politicization and indoctrination, along with the polarization of the cultural processes. The government continued supporting a few extremely ideologized cultural projects and treating with prejudice and fear the informal projects, the implementation of which the government, as a rule, does not support.

The lack of the comprehensive, long-term, consistent policies in the cultural sphere results in the clumsy actions taken by the authorities, generating tension in the artistic and cultural environment and ousting the talented people to the real or inner emigration.

The lack of the professionals, implementing the cultural policy of the government, has become even more apparent. The low level of competence, the unwillingness and inability to take responsibility for the decisions result in the new unmotivated prohibitions and restrictions.

In the situation of the ongoing tensions in the relations with Europe, the cultural life of Belarus shows some signs of closeness, simplicity; it often tends to copy the mediocre examples of the modern Russian cultural products (especially in the show business). The single positive

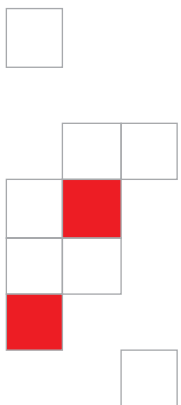
exceptions cannot reverse this generally dismal tendency.

Description of the key event that defined the trend

The tendency for deliberalization of the cultural environment is especially evident due to the policies of the unmotivated prohibitions and restrictions of creative freedom, pursued by the government. The unofficial ban for the performances of many popular rock groups (Lyapis Troubetzky, Krumbambulya, Neuro Dubel, Palace, IQ48, etc.) continued. As a result, these artists make no more attempts to organize their concerts at home. Instead, the “forbidden” musicians perform in the neighbouring countries – in Russia, Ukraine and Lithuania. Their concerts are often transformed into vivid political demonstrations, as their fans use the national symbols which are banned in Belarus, as it happened at the presentation of their new album Rabfak by the group Liapis Trubetskoy on October 27, 2012 in Vilnius.

It is also disturbing that these prohibitions have been recently applied to the representatives of other creative professions, and even to the art critics, which has much in common with “a ban for employment”. Thus, the well-known Belarusian film critic, Maxim Zhabankov, was excluded from the pressmen jury of the 19th International Film Festival “Listapad”, held in Minsk on November 2 – 9, 2012. The official invitation, addressed to M. Zhabankov, was withdrawn, because, according to the comments given by the Festival Press Centre, the candidate “was not approved by the higher management”. The critic explains this exclusion from the jury by his publications in the independent press.

The pressure against the visual artists has also strengthened. Thus, the solo exhibition devoted to the anniversary of the famous Belarusian artist, one of the founders of the art association “Pagonya”, Ales Marachkin, which was organised at the exhibition hall of the Faculty of Arts and Graphic Design in the Viciebsk State University, was cancelled. The Dean of the Faculty said that the University was being recertified, and the hall would be occupied. Meanwhile, in November, the exhibition of A. Marachkin, dedicated to the artist’s 70th anniversary, was successfully held in Minsk. In another case, the art object in the form of a chair, named “AgroGlamuor” and created by the famous Belarusian artist and master of performance, Ales Pushkin, was excluded from the exhibition “PoSTULate”, opened on October 19, 2012 in the Minsk gallery “The University of Culture”. The gallery managers said that they



would not want to see his work in the display for various reasons.

Another scandal was connected with the opening of the Belarusian art project “Zabor” (“Fence”) in Warsaw. On October 31, 2012, just before the opening of the exhibition, the representatives of the Belarusian embassy removed the reproductions of the 9 paintings, illustrating the Soviet past of Belarus and associated with the restrictions on freedom in our country, including the portraits of Lenin and Stalin, from the exhibition. Thus, the main idea of the project – the ironic nostalgia for the Soviet past – was destroyed. It is remarkable that the pictures excluded were specifically designed for the foreign version of the exhibition: the organisers had not even attempted to demonstrate them in Minsk, where this art project was implemented during the two summer months of 2012, clearly realizing that today the censorship in Belarus will not permit to demonstrate such works.

On October 9, 2012, at Oktyabrskaya Square in Minsk, the artist Mikhail Gulin and three of his assistants were detained when trying to hold the art event “Private Monument” in the framework of the international art project “Difficulties of Expression in Public Space”. The art event participants were accused of disobeying the police officers, two of them were beaten, but later at the court the detainees were acquitted.

The cultural events in Belarus are an irrefutable evidence of the fears of the authorities when it comes to any manifestations of independence, creative freedom and independent thinking. Especially depressing is the level of competence of the responsible persons, whose main purpose seems to be prohibiting anything that is out of line in their opinion. Thus, both the activity of the Belarus Free Theatre, marked by a bright political subtext, and the “artistic interventions” of the modern Belarusian artists, which are not directly related to the politics, are prosecuted with the equal enthusiasm. The fact, that the process of indoctrination of the Belarusian cultural environment was not so obvious in the final quarter of 2012, was not associated with changes in the trend, but rather with the lack of those iconic cultural events that traditionally represent the official discourse.

Description of the additional events

In the fourth quarter, there was an event, the value of which can only be fully assessed later: on November 16, 2012, A. Lukashenka met the request of P. Latushka, relieved him from the post of the Minister of Culture of Belarus and appointed him the Ambassador of Belarus to France, combining the duties of the Permanent Representative of Belarus to the UNESCO. The three-year term, within which P. Latushka was the Minister of Culture, was a controversial, but a bright period, and as a personality he provoked very different, sometimes polar assessments.

The certain positive developments in the contemporary culture policies of the government were attributed to the former Minister of Culture: the government approved “The Castles of Belarus” programme with the budget of more than USD 15 million; the restoration (sometimes controversial) of the dying monuments began; the Cabinet of Ministers established the National Council for Culture and Art; the National Theatre Award was established; the first National Forum “The Museums of Belarus” was held; the Law on Support to Cinematography was drafted and adopted. P. Latushka was the only high-level official who spoke the Belarusian language fluently and used it in public.

However, we should not overestimate the efforts made by P. Latushka. The Ministry of Culture failed to develop and implement a balanced and coherent cultural policy, and the overall tendency for deliberalization, politicization and ideologization of the Belarusian culture persisted. On December 10, 2012, A. Lukashenka appointed the former Rector of the Belarusian State University of Culture and Arts, B. Svetlov, as the Minister of Culture of Belarus. This appointment provoked cautious optimism in the society.

In early December, the “Art Syadziba” (“Art Farm Yard”) project was closed again (for the third time now!). For more than a year it served as a cultural platform, where both the beginners and the reputed authors could present their creative works. The musicians, writers, artists presented their works mainly in Belarusian, and all the events were free. This cultural site was closed due to the abolition of the rent agreement, previously signed, despite the fact that the project manager, P. Belous, had repeatedly assured the authorities that the project was ready for cooperation with the Department of Culture of the Minsk Municipal Executive Committee.

At the end of the year, 10 episodes of the series “Hunting the Gauleiter”, filmed by the Russian StarMedia company with participation the BelarusFilm company, appeared in the Internet. The plot was based on the actual historical events that took place in Minsk in 1941 – 1943. The series was filmed in Babruisk, Viciebsk and Minsk. It was presented as the first truly bilingual product. Indeed, both the Russian and Belarusian languages are spoken in the movie. However, as it was noted by the audience, that the Belarusian language in the series is spoken almost exclusively by the local Nazi collaborators, prostitutes and other negative characters, which, in turn, causes a cautious attitude to the Belarusian language.

The “soft Belarusization”, emerging early in the year, has almost completely ceased. Moreover, despite the repeated official assurances in the support provided to everything Belarusian, the national language, which is traditionally used by A. Lukashenka exclusively during his caricature attacks on the opposition, is being systematically marginalized.

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

The certain hopes for improvement of the situation were associated with the concert of the rock group Palats, presumably included in the “black list”, which took place in Minsk on October 26, 2012. The concert of the musicians, performing the Belarusian folklore, both authentic and arranged in various styles, was held in the national drama theatre and was devoted to the 20th anniversary of the group. The concert took place in spite of the information about its cancellation for technical reasons, which appeared on October 24; the Minister of Culture of Belarus, P. Latushka was said to have personally intervened in the conflict resolution.

Recently, the “forbidden” musicians managed to give a few more chamber concerts at home: they performed in the embassies, in the so-called “apartment concerts” and semi-legal corporate parties. On November 21, at the “Ÿ” gallery in Minsk, D. Vaitsyushkevich presented his new album “Vayachak”. The presentation was arranged in the proprietary format, one could get there with an invitation only. Unfortunately, all these events showed no signs of any weakening of the prohibitions and restrictions, and the “black list” of the artists continued to exist and was even enlarged. Thus, in the fourth quarter, the two concerts of the group “Dai Dorogu” were

cancelled. The organizers of the concerts were informed that the performances of these musicians were “undesirable”.

The momentous events, inspiring hope for positive changes in the development of the national culture of Belarus and for strengthening of the diverse relations with the world leading cultural centres, include the first results of the reconstruction and restoration of the Niasvizh Palace and Castle and of the Mir Castle, and the exhibition “Marc Chagall: Life and Love” at the National Art Museum.

The last months of the year were the time for some interesting film, theatre and music festivals. Apart from the traditional 19th International Film Festival “Listapad”, Minsk hosted the 1st International Festival “JazzinMinsk – 2012”, during which the musicians from the U.S., Brazil, Israel, Belarus and other countries performed on several concert sites.

In the fourth quarter, the winners of the Second National Theatre Award were announced; the representative international theatre forum “TE-ART” was held; the 3rd Minsk International Christmas Opera Forum was held at the National Academic Bolshoi Opera and Ballet Theatre; the 1st National Forum “The Museums of Belarus” was organised; the 1st Minsk Triennial of the Contemporary Art “BelExpo-Art-2012” also provoked a wide public response. ■

Brief forecast for the next quarter

In the first quarter of 2013, the trend for deliberalization of the Belarusian cultural environment will persist. We should expect the further ideologization and politicization of the major cultural projects, and marginalization of anything that, according to the authorities, is out of line. The support of any project will still be determined not so much by its aesthetic value, novelty, society demand, as by the authors’ readiness to support the existing governmental ideology. The budget cuts, inevitable in view of the forthcoming crisis, will have a negative impact on the cultural programmes. A new round of the “cultural exile” is likely, when the independent actors will have to look for opportunities for actualizing of their creativity outside Belarus.

Brief forecast for the year

The year of 2013 was declared the Year of Thrift in Belarus: in December of 2012, discussing the plans to modernize OAO Mogilevkhimvolokno, A. Lukashenka demanded to reduce the expenditure on sports and culture so that to secure additional funding for modernization of the industry. Therefore, in 2013, the number of the publicly funded programmes will be gradually reduced. The authorities will do everything possible to preserve those activities that represent the official cultural discourse, and will maximally ideologize and politicize them. Those are, first of all, the projects related to the revival of the national consciousness, the Belarusian language promotion and the national cultural values, that will be threatened.

The tendency for the deliberalization and polarization of the modern cultural processes will remain. The certain positive changes in the cultural life are possible in case of a significant warming in the relations with the EU, which could lead to a greater European cultural presence and an increased number of the joint cultural projects.