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Dear Friends and Partners:

It is my pleasure to introduce the BISS Trends: a quarterly monitoring of key political, economic, social, foreign policy, and cultural developments or contemporary Belarus. This project will seek to provide 'early warning' and ad-hoc reflection on changes that, while not looking to be significant in the short run, may lay the ground for the fundamental changes in the country. A record of the present, BISS Trends look to the future and, we hope, will help to create an image of the country we will be living in tomorrow.

Not all our assessments, of course, will be met positively. It is important to understand, therefore, the BISS Trends assesses the dynamics rather than the status quo, tries to create a vision of what can be invisible for now. This

ambition, to create a new vision for Belarus, epitomizes the whole work of the Belarusian Institute for Strategic Studies.

BISS Trends is for the people indifferent to the future of Belarus and willing to shape its future. The first issue is a result of a team effort of young political scientists, economists, and lawyers working with the Institute. We hope that the project will draw attention of the expert community and hope to see some of you as new authors, not just readers, of the future BISS Trends.

Sincerely
Pavel Daneyko,
Chairman of the Board,
Belarusian Institute for Strategic Studies.

BISS-Trends focuses on five main trends:

- 1) political democratization / political liberalization;
- 2) economic liberalization;
- 3) quality of governance and rule of law;
- 4) geopolitical orientation
- 5) cultural policy.

Timeframe: October - December 2009. The report is based on expert assessments made on the basis of the analysis of events and process-tracing methodology.

Symbols used in the report:

- ▲ progress (upward trend)
- status quo
- ▲ minimal progress
- ▼ minimal regress
- ▼ regress (downward trend)

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EXECUTIVE SUMMARY: SLOWLY DANCING ON A MINEFIELD

The main trends of the political, economic, and social life in the fourth quarter of 2009 testify about the continuity of the managed, reversible, and piecemeal liberalization carried out since 2008 under the pressure of external factors (turbulent relations with Russia, decreased inflow of external rents, global economic crisis). This liberalization aims at stabilization of the political and economic relations of the existing system rather reforming it. At the same time, the Belarusian leadership is running out of politically harmless facelift options. It approaches the point when it has to go for a fundamental reconstruction of the socio-economic and political model, or, alternatively, fall back to the repressive policy typical for the early first decade of the 21st century.

In the political sphere, BISS Trends records a paradoxical tendency of **regress in the political liberalization alongside progress in political democratization**. From the viewpoint of the regime's logic of survival, this trend should soon be replaced by inverse dynamics – strengthening of authoritarian control over elections and vote count with a simultaneous facade political liberalization.

In the area of economic policy the government took certain steps to improve the rules of the game for private businesses, at the same time preserving the general make-up of the paternalistic economic policy. A policy of partial reforms carried out without serious improvements in the quality of governance and rule of law will not bring about a substantial growth of the private sector, will discourage direct foreign investments and impede structural changes. Nevertheless, the partial reforms policy may be sustainable in the short-run in the current environment.

In the area of foreign policy, there was a continuation of the trend of normalizing relations with the European Union and strengthening regional cooperation. Competition of two geopolitical projects – EU integration projects (Eastern Partnership) and Russia's unification projects (Custom's Union, Common Economic Space) enters a new phase when the room for foreign policy maneuvering is shrinking, forcing Minsk to make up its mind about its geopolitical orientation.

In the area of "cultural policy", the process of "corrective" Belarusianization and Europeanization is unleashed. The authorities attenuate ideological antagonisms, realizing that their xenophobic and anti-Belarusian ideological project is not sustainable, is politically shortsighted, and prevents normalization of relations with EU. While entering the new electoral cycle, the regime will benefit from accumulating the broadest possible support base. In the context of absence of fairly strong social movements and parties with explicitly "build" ideologies, President Lukashenka can continue to represent successfully the full spectrum of identity projects and vectors of development. ■

EVALUATION OF TRENDS (4th quarter, 2009)

Trend	Evaluation	Key features
Political liberalization ¹	—▼	Absence of progress and some rollback of liberalization
Political democratization ²	—▲	Some improvements in the sphere of election legislation
Economic liberalization ³	▲	Slow and partial liberalization
Quality of governance and rule of law ⁴	—▲	Minimal improvements in governance and law enforcement, no progress in the rule of law
Geopolitical orientation ⁵	▲	Intensification of bilateral contacts with EU countries; strengthening of regional ties; increased competition of geopolitical projects
Cultural policy ⁶	▲	Belarusianization, Europeanization; weakening of the "cultural war" between the authorities and civil society

¹By political liberalization we understand the process of de jure and de facto expansion of the catalogue of civil and political rights. Here we follow criteria of "poliarchy" (Robert Dahl, 1971) and operationalize political liberalization, i.e. through: a) freedom of mass media; b) freedom of association.

²By political democratization we understand the process of de jure and de facto improvement in the sphere of authorities' accountability (the horizontal one as well as the vertical one). The latter is directly linked to setting up infrastructure to hold free and fair elections. By separating political liberalization from political democratization, we follow O'Donnell and Schmitter (1986) and believe that such detailed elaboration in "higher resolution" allows evaluating the hybridization of the Belarusian regime.

³By economic liberalization we understand the process of expansion of effective and earlier unobtainable economic rights. Operationalization of this notion: large-scale privatization; small-scale privatization; price and tariffs liberalization; measures directed at the growth of the private sector of economy (including simplification of procedures). By progress we will understand movement towards the market economic model, growth of private sector, and denationalization of economy.

⁴By quality of governance we understand efficiency of state institutions, in particular, in the sphere of management of the economy. By rule of law we understand symmetric and effective enforcement of the law in respect of all entities of political and economic life.

⁵Geopolitical orientation is evaluated through the perspective of three processes: a) strengthening of ties with EU/Russia; b) strengthening of regional ties; c) increase in competition of geopolitical projects (including pro-European and pro-Russian vectors). By "progress" (upward trend) we understand the process of Europeanization of Belarus together with harmonious and conflict-free coexistence with neighboring countries.

⁶In the sphere of cultural policy we consider the level of official political discourse (i.e. creation of symbols as well as of identity policy). By "progress" (upward trend) we understand the process of Europeanization, harmonious Belarusianization and regardful coexistence between the authorities and civil society.

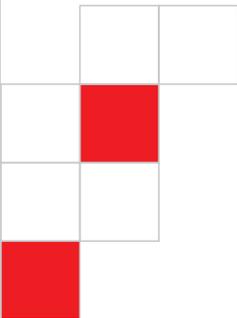
Trend 1

Political liberalization: trend of deliberalization —▼

Political democratization: trend of democratization —▲



Various forms of repression continue to be applied against the opposition.



Only the actual conduct of the political campaigns of 2010-2011 will test the impact of the changes introduced in the country's election legislation.



The fourth quarter of 2009 saw a slowdown of political liberalization in Belarus. Previous statements on upcoming liberalization in domains as freedom of speech (simplified procedure of registration of newspapers under the new law and declared renunciation of curtailment of freedoms on the Internet) and freedom of association (consideration of possibility to repeal article 193-1 of the Criminal Code, simplification NGOs' registration) were not followed by action. In several instances, there was a rollback (in respect of newspapers' registration) or the intention to apply stricter rules was announced (a presidential edict on the control over the Internet is currently being drafted).

Various forms of repression continue to be applied against the opposition (kidnapping, and intimidation of youth leaders; arbitrary arrests and detentions of picketers). These episodes are recorded by human rights defenders though documentary evidence is often lacking. Suppression of opposition actions in the reporting period was accompanied by obstruction of journalists' work (such as non-violent but rather stern obstruction of fieldwork where mass events are to be held). On the other hand, at least in some cases the authorities did not impede opposition actions. Cases of covert intimidation of opponents of the regime became more frequent (by phone, at places of work or education; summons to law-enforcement agencies).

Furthermore, the authorities demonstrated their intention to curtail liberal novelties serving as window dressing of the system (as was the case

with suspension of the activities of the Public and Advisory Council of the Presidential Administration).

Your browser may not support display of this image. A major development in the sphere of **political democratization** was the adoption of amendments to the Election Code by the parliament. These amendments, signed into law in 2010, touch upon the issues raised by the opposition and the OSCE Office for Democratic Institutions and Human Rights (ODIHR). Specifically, new regulations expand opportunities for participation of representatives of political parties and public associations in the work of election commissions at the local and national levels, whereas limiting participation of representatives of the presidential vertical in commissions' work. The amendments somewhat relaxed the rules for nomination and registration of candidates (by simplifying collection of signatures), and removed some restrictions on campaigning by relieving permits for public gatherings. Minor changes have been introduced in the procedure of counting votes during early voting. However, no qualitative changes had been introduced in the area of election monitoring. Only the actual conduct of the political campaigns of 2010-2011 will test the impact of the changes introduced in the country's election legislation. Accordingly, the dynamics in the sphere of political democratization will be defined by the preparations for the "big electoral year of 2010" when local elections (April 2010) and the presidential election (January or less likely February 2011) will be held. ■

Forecast: political liberalization and democratization

The trend of political deliberalization will extend in 2010 due to the beginning of the electoral cycle. The repression will most likely be conducted against the background of continuous bargaining over the recognition of independence of Abkhazia and South Ossetia, which will be used to ensure a softer stance of the EU and the United States towards the Belarusian authorities in the pre-election year. The trend also informs about the potential scenography of both upcoming election campaigns. The local elections will be carried out according to the scenario of a conspicuously fair campaign (registration of the maximum number of opposition candidates, relatively free campaigning, and ostentatiously positive evaluation of changes in the election legislation). These elections are designed to send a message of liberalization in the electoral field for the West. The campaign will be, however, largely unnoticeable for the population. On the whole, the scenario of the local elections-2010 may become a copy of the elections-2007 somewhat improved for external consumption.

Scenography of the presidential election will be more complicated. As in the case of the local elections, some liberalizing novelties to please foreign audiences will be introduced. Meanwhile, the core of its internal mechanism will have the practices worked out during the 2006 presidential election: extensive use of administrative resources during the campaign; application of defamatory political technologies; harassment of the opposition; and a diplomatic offensive to secure recognition of the results by the OSCE, EU and the US, or at least have the results recognized as a step towards democratization.

Trend 2

Economic liberalization: trend of liberalization ▲

The most significant negative aspect of the current policy of economic liberalization is the slow pace of structural reforms, particularly privatization.

A partial and forced economic liberalization continued in the fourth quarter of 2009. Changes in the economic policy were largely cosmetic and inconsistent, whereas the prime mover of the reforms were external actors, such as the International Monetary Fund, whose stand by program administered to the government of Belarus provided a framework for legislative changes. Major highlights of economic liberalization in the fourth quarter of 2008 included revamping the control bodies and practices, price liberalization, changes in the system of rental payments, and the sale of BPS bank may be highlighted as the quarter's most important events.

Your browser may not support display of this image. The government continues to emphasize liberalization of the business climate as a low-cost reform compared to the structural changes it consistently avoids. These reforms, however, have a limited impact due to insignificance of the SME (small and medium-sized enterprises) sector in Belarus, and a decline in international investment activity due to the ongoing global crisis. At the same time, the most significant negative aspect of the current policy of economic liberalization is the slow pace of structural reforms, particularly privatization. Structural reforms, such as abandoning production targets for industrial enterprises and inventory build-up, employment

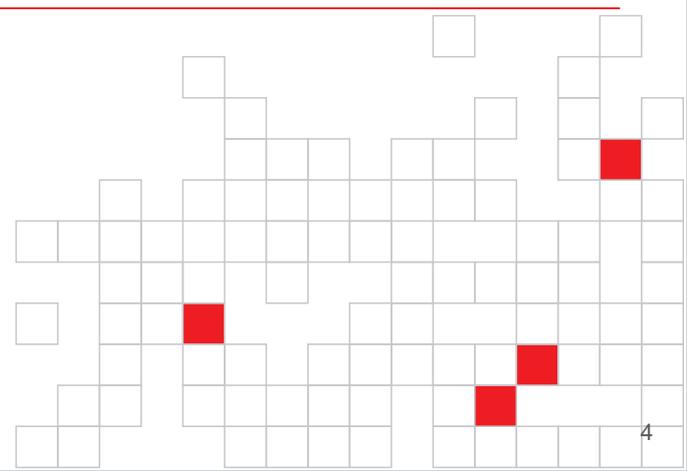
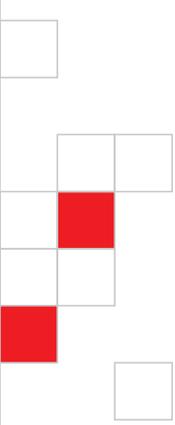
cuts in state-owned companies, non-conditional sale of companies to foreign investors at current market prices, etc. – will create considerable social tension in society. The government treats privatization exclusively as a fiscal operation, aiming at raising the maximum sum in order to offset the balance of payments deficit. Moreover, special conditions (such as to provide cheap loans to key Belarusian enterprises) continue to be presented to investors hoping to privatize Belarusian companies. The specialized Privatization Agency which would be able to carry out transparent and competitive sale of shareholdings of state-owned enterprises along Western standards has yet to be established, although the agreement between the government of Belarus and the IMF in the framework of the stand by program provided for its creation by the end of the year.

Administrative increases in real incomes of the population resumed in the fourth quarter of 2009 after a year-long break. The government announced increases in pensions and child care allowances were announced. Besides, a line of credit of BYR 4 trillion was opened to two major state-owned banks under non-market conditions which potentially means a considerable emission and pressure on the gold and foreign-currency reserves of the country. ■

Forecast: economic liberalization

No major changes will occur in economic policy in 2010. The government will proceed with liberalization of the business climate, enforce price liberalization, and, most likely, relax licensing rules. At the same time, the presidential elections probably scheduled for January 2011 will put off implementation of structural reforms for the sake of increasing real incomes of the population through wage hikes in the budget sector, indexation of pensions, capping tariffs on housing and public-utility services, etc.

In the first half of 2010 one can expect news about sale of the controlling stake in Belinvestbank to a foreign investor and, possibly, an accommodation with the Russian side on the conditions of sale of the Naftan – Polimir petrochemical complex. Besides, transparent competitive sales of state shareholdings in seven Belarusian enterprises should be held before the end of February in the framework of the stand by program.



Trend 3

Quality of governance and rule of law: —▲ trend of minimal liberalization

Abolition of inefficient and superfluous taxes, tax cuts (except for VAT), introduction of the option to pay taxes on a quarterly basis, change in the accounting rules for calculating taxes, will ensure a simpler and more transparent fiscal accounting in 2010.



No major changes had been recorded in the fourth quarter of 2009 in the institutional set-up of state administration in general and in the sphere of economy in particular. Administration and decision-making continue to be centralized with legislative initiative directed top-down. At the same time, certain piecemeal adjustments in the structure and mechanisms of decision-making have been introduced under the pressure of introducing limited economic reforms. These changes are reflected in new legal acts adopted by the President, Parliament and Government.

Your browser may not support display of this image. Legislative changes aimed at improving corporate governance and the investment infrastructure reflected the ongoing trend of economic liberalization. The landmark development in the fourth quarter of 2009 was the adoption of the Special Part of the Tax Code and changes to the fiscal legislation, marking the government's effort to better the investment climate and move away from the image of being the country with the worst tax system in the world. Abolition of inefficient and superfluous taxes, tax cuts (except for VAT), introduction of the option to pay taxes on a quarterly basis, change in the accounting rules for calculating taxes, will ensure a simpler and more transparent fiscal accounting in 2010. New rules for controlling and supervisory activities may be path-breaking in improving the investment climate in the country (provided that exceptions from the rules would not be routinely practiced).

By streamlining of controlling and auditing practices, limiting the number and frequency of inspections, and ordering advance publication of semi-annual plans of inspections, the government

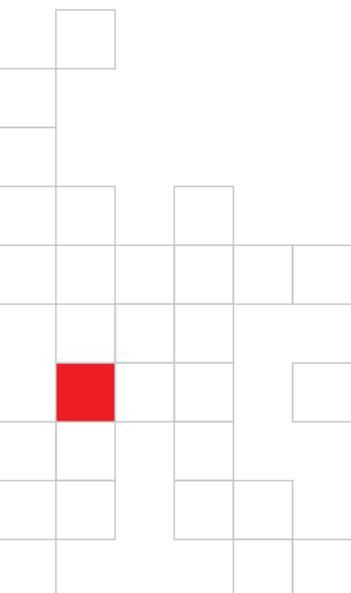
gave a serious response to critics who complained about disproportionate devotion of resources of economic entities on work with controlling agencies. The trend of liberalization is also attested by lifting wage caps for heads of economic entities, who from now on are entitled to a higher compensation for skill and performance. Adoption of new rules for concluding investment agreements with the Republic of Belarus and introduction of additional incentives for investors to conclude these agreements had only limited liberalizing impact as since investors may only consummate privileges after they conclude such agreements with the state.

The statistics of year-on-year increase in legal recourse of citizens and economic entities indirectly hint at the improvement in law enforcement practices as they may reflect a growing trust in the judicial system (much as the increasing number of contentious situations due to repercussions of the crisis). Decriminalization of petty violations admitted by businesses as well as waiving or reduction of liability for business-related administrative violations, relieving administrative pressure on private business, provide further evidence of liberalization in law enforcement. The structure of the judicial and law enforcement system, however, remains unchanged.

The government encouraged private investment by changing market regulation in the field of antitrust legislation and price setting. The Ministry of Economy may now conclude agreements establishing special rules for investors dominating in a certain market. Situation with protection of property rights and other corporeal rights remains unchanged. ■

Forecast: quality of governance and rule of law

С учётом того, что внутренняя и внешняя экономическая среда и потребность в инвестициях в Granted the domestic and economic environment and the demand for investment remain unchanged in the first half of 2010, we expect adoption of reform measures announced by the president and the government in the last months of 2009. The liberalizing trend will be reflected in relaxing licensing rules, simplification of construction procedures, and improvement of procedures. At the same time, we expect growing state control over financial flows as well as tightening of hard currency regulations in view of the approaching election and the danger of capital outflow from the country.



Trend 4

Geopolitical orientation: trend of Europeanization ▲



In November 2009 Italian Prime minister Silvio Berlusconi became the first EU leader in 12 years to visit Belarus.

Competition of two geopolitical projects – EU integration projects (Eastern Partnership) and Russia's unification projects (Custom's Union, Common Economic Space) entered a new phase.

The general trends in the fourth quarter of 2009 support the one that began to take shape earlier in 2009:

Stronger bilateral ties with EU countries

Your browser may not support display of this image. This trend was reflected in the increased number of visits of Belarusian officials to EU countries, a higher level of bilateral negotiations and interministerial consultations, as well as visits of European officials and business representatives to Belarus. For example, Belarus' Foreign Minister Siarhiej Martynau paid official visits in the fourth quarter of 2009 to Finland, Romania, Spain, and Austria, and visited Brussels on two occasions. In November 2009 Italian Prime minister Silvio Berlusconi became the first EU leader in 12 years to visit Belarus. Possible allocation of EU macrofinancial assistance to Belarus was also announced during the period under review.

Strengthening of regional ties

This trend was expressed in intensification of bilateral and multilateral contacts and projects with Belarus' neighbors in the region, especially Ukraine, Lithuania, and Latvia. Official visit of Alaksandar Lukashenka in Kyiv, a visit of foreign ministers of Ukraine and Latvia, as well as a visit of a deputy foreign minister of Lithuania to Belarus, all took place in the analyzed period. A trilateral meeting of foreign ministers of Ukraine,

Lithuania and Belarus was held in Kyiv where issues of economic relations and energy security were discussed. A better coordination of regional foreign policy aimed at building up a complementary foreign policy pillar to ensure a more efficient maneuvering between EU and Russia, strengthen the bargaining position in relations with Russia; and maximizing benefits extended in the framework of the Eastern Partnership program (funding of multilateral regional projects).

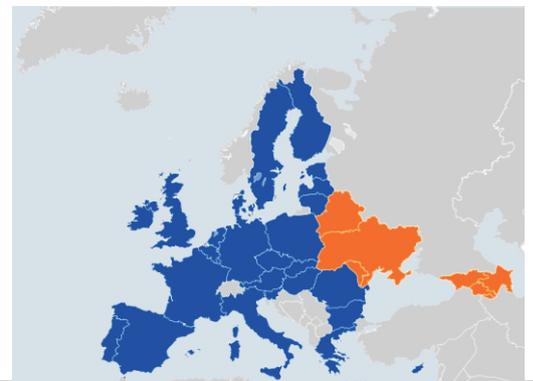
Your browser may not support display of this image. Increase in competition of geopolitical projects

Competition of two geopolitical projects – EU integration projects (Eastern Partnership) and Russia's unification projects (Custom's Union, Common Economic Space) entered a new phase. The room for maneuvers in foreign policy is shrinking, forcing Minsk to make up its mind about its geopolitical orientation. Belarus signed documents on the Customs Union with Russia and Kazakhstan, joined the Collective Force of Rapid Deployment, while expanding contacts with EU and working actively on projects in the framework of the Eastern Partnership. President Lukashenka spoke positively about accepting the EU's conditionality and expressed support for economic integration with the EU. In this situation, the Belarusian authorities will have to pursue a more flexible and accommodative approach in relations with both Brussels and Moscow. ■

Forecast: geopolitical trend

The approaching electoral cycle will require preservation of domestic political and economic stability, as well as demonstration of foreign policy successes of the government. At the same time, the Belarusian government needs to have the elections recognized by the European Union and to secure macrofinancial assistance from the EU.

We therefore expect that the current geopolitical trend will be continued for at least the first six months of 2010, following the logic of maneuvering between the "two evils," as Russia and the EU are often presented in the media.



Trend 5

Cultural policy: trend of Belarusianization and Europeanization ▲

The last quarter of 2009 witnessed deepening of "corrective" Belarusianization and Europeanization of the official discourse – a trend that continued the overall tendency of revamping of the regime's ideology in line with the general logic of transformation of the Belarusian system. As the government may no longer maintain the regime built between 1994 and 2006 in its entirety, it has to reformulate its political, economic, and ideological foundations to ensure that the status quo is preserved in a less repressive environment.

Hence, just as political prisoners had been released and business environment liberalized largely under external pressure, the cultural policy shifts aim at legitimizing the geopolitical reorientation pursued by the Belarusian authorities to find a new balance in relations between the East and the West. This government consequently introduced "national" and "European" elements in the dominant ideological discourse. The partial rehabilitation of the Belarusian language in state mass media in the fourth quarter of 2009 illustrates this trend most vividly. A nationwide census of the population conducted in October 2009 bore further evidence to the trend, as the authorities sent signals to their citizens encouraging assertion of the Belarusian identity in their answers to questions of the census takers.

Such embedment does not change the principle ideological orientation of the Belarusian

authorities which they reproduce constantly. However, it allows incorporating or, at least, reconciling in some way ideological and cultural opponents with the authorities at a time of economic distress when the authorities are especially interested in social peace and reconciliation. The trend of "multi-vector policy" is also manifested in the religious policy as the Belarusian authorities woo a Pope Benedict XVI visit to Belarus despite the obvious displeasure of the Russian Orthodox Church.

Your browser may not support display of this image. Weakening of the "cultural war" between the authorities and civil society brought forth support by the government to in the campaign to promote the transliterated name of the State "Belarus" in foreign languages: for the first time ever since 1994 the authorities de-facto supported an initiative directed at "decolonizing" the public discourse. However isolated and inconsistent those steps on the part of the authorities may have been, they helped to extend the space for civil society for producing cultural products which facilitated "Belarusianization" and "Europeanization" of public conscience – suffice it to recall the Budzma (Let's be) campaign that meets only a limited resistance from state bodies.

Your browser may not support display of this image. Latent support of some initiatives of civil society directed at "Europeanization" and

Weakening of the "cultural war" between the authorities and civil society brought forth support by the government to in the campaign to promote the transliterated name of the State "Belarus" in foreign languages



The Belarusian authorities themselves began encouraging cultural products and events directed at "aging" the national identity, while rehabilitating the Belarusian language and Belarusian culture in the public sphere.

"Belarusianization" of mass conscience may be defined as the second important trend in the sphere of cultural policy of recent times. At the same time, the Belarusian authorities themselves began encouraging cultural products and events directed at "aging" the national identity (through

promotion of discourses "locating" Belarusian history in the pre-Soviet and pre-Russian periods and eschewing unequivocal colonial interpretation), while rehabilitating the Belarusian language and Belarusian culture in the public sphere. ■

Forecast: cultural policy

The appointment of Aleh Pralaskouski, known for his actions directed at restricting influence of "oppositional" Belarusian culture in mass media, as Minister of Information of the Republic is an alarming trend in the domain of cultural policy. It reminds about the approaching election year, when the "traditional" ideological repertoire of the Belarusian authorities, with its anti-Western and anti-European tunes, is usually amplified. This can be expected to the full extent in the next year as well.

At the same time, the previous presidential campaign demonstrated that such propaganda campaign went alongside with the massive campaign under "For Belarus!" motto. This is why we can expect a new patriotic campaign whose nature will to a large extent be determined by the presence or absence of conflict in relations between official Minsk and the Kremlin. Certain initiatives made public in early 2010, in particular, the launch of a cycle of TV shows Albaruthenica on the Belarusian television and preparations for celebration of an anniversary of the Battle of Grunwald at the official level indicate that "corrective" Belarusianization and Europeanization may be continued in 2010.

