

LUKASHENKA'S ELECTION SPEECH

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Summary

The Belarusian President's address to the nation and parliament on 19 April 2013 significantly differs from the previous one both in its structure and content. This year the Presidential address has the economic component at its core. It concerns a wide range of issues: macroeconomic stability, social security, and to a considerable degree technical modernization. At the same time, comparing it with the last year address, one can see that the section about the Internet's place in the state and the society has disappeared. The instruction about the Ministry of the Interior reform has changed to a general comment about the necessity for public administration reform. Curtseys before the West have been replaced by clearly stated adherence to the Eastern vector, yet there still remain declarations about the readiness for the dialogue with Europe and the US.

Is everything all right with the economy?

After a brief focus on the necessity to adapt to the realities of the rapidly changing world, Alyaksandr Lukashenka proceeded to accessing the macroeconomic condition of Belarus. In general, he gave positive assessment: the trade balance remains positive, currency revenues and foreign exchange reserves are growing, the currency market shows stability. A significant excess of enterprises' warehouse stocks was called the main drawback of the first half of 2013 (in April, it was 79% of the monthly production rate - author's note). At the same time, the Government and the Ministry of Commerce were instructed not to forget "about the assignment regarding the economic growth this year" and "giving a concrete result in unloading warehouses".

First, it should be noted that the President's statement about positive balance of trade is not completely true: in January- February 2013 the foreign trade balance was negative and reached minus \$ 396.5 million (according to Belstat - National Statistics Agency). In this regard, (together with the statement that "there will be no money emission to ensure growth") The President's instruction to unload warehouse stocks looks like an attempt to get ensured against accumulation of imbalances that preceded the crisis in 2011. At the same time, given the anticipated decline in demand for Belarusian goods on the Russian market, the mechanisms of unloading warehouses remain unclear.

In general, the macroeconomic chapter is new in the address to the people and the Parliament. Last year, it was not present as a separate part in Lukashenka's speech. It probably appeared due to the desire to send a signal to economic agents about stabilization of the economic situation and low risk of the crisis recurrence.

Modernization of everything

Higher economic growth, according to Lukashenka, can be ensured by increasing the competitiveness of domestic goods. In this regard, a new section enters the address - *modernization*. It takes almost half of the total message. And therein is one of the main features of the President's keynote speech of 2013: the emphasis again shifts from privatization and investment to technical modernization. This time the modernization section can be divided into two subsections: *modernization* and *informatization*.

The first item that was mentioned in *modernization* subsection was the need to achieve higher production rates, \$ 60 thousand a year per employee, to be exact. At the same time, modernization is claimed being not just a slogan, but a strategic goal-setting framework in the development of Belarusian economic policy, which is determined by the increasing competition in foreign markets (after Russia's accession to the WTO) and the need to find new areas of marketing.

One should note that a number of macroeconomic indicators cast doubt on the prospects of achieving the targets set by Lukashenka. In particular, the revenue of 60% of state-owned enterprises is only about \$20 thousand per employee; the sources of funding technical modernization are questionable. However, a significant volume of the *modernization* section and its detailed description in this year's address proves the seriousness of the effort to build "import substitution economy" in Belarus. It also indicates the refusal to increase the private sector share in the Belarusian GDP. Once again, the President's speech defines modernization and structural changes in the economy exclusively as retooling - more precisely, "it is not a free distribution of state assets, i.e. plants, factories, neither it is privatization and selling them for a pittance, nor total privatization, strongly recommend both by those inside and outside the country. It is acquiring a new quality of the economy."

It is noteworthy that the privatization and investment issues in this year's address are included into the modernization section. But it is still too early to talk about any radical change in "privatization" rhetoric: the messages "one should pay a market price" and "there will be no clearance sail" are still present.

A section "about national informatization project" was new to the address. "Besides internal benefits by reducing costs (de-bureaucratization through creation of "electronic government", monitoring of financial flows, the use of information technology in medicine and education), the informatization in this year's address may also be considered as a component of a modernized import-substituting economy. "Belarus needs its own niche in the global knowledge-based economy. In the world, the quality of our education in the field of IT-technologies is rightly considered to be high for a long time already". At the same time "Belarusian programmers work in the West, while Belarus itself is lagging behind in the IT- sphere."

To make everybody happy

A significant part of this year's address was devoted to *social* section, which includes the issues of income, housing, health care, and prices. This section is absolutely new (it was not present in the last year's address). Despite a number of negative comments ("wages are to be earned," etc.), this block contains a lot of provisions that may be positively regarded by the electorate.

First, the address promises "a number of first grade wage raises for state employees, raising pensions and benefits." Despite the fact that it is an increase in productivity and modernisation, not emission of currency, that is called the main source of "salary raise", the assertion that the increase is already included in the budget should be the basis for a positive response from the public.

Second, although the President once again spoke about the prohibition of renting housing built on credit (which had already caused an increase in the cost of rental housing) he demanded to sort things out with dishonest developers and to introduce measures to control the distribution of the additional costs in shared housing construction.

Third, once again Lukashenka instructed to stop the rise in prices and to hold the annual inflation rate within 10%. He also gave a separate indication regarding the limiting the growth of utility tariffs (in 2013 it turned out to be quite substantial).

Government and the global arena

The sections devoted to government and Belarus relations with other countries shrank significantly in comparison with the last year's address. Regarding the government section, last year it was longer as it concerned the reform of the Ministry of the Interior, which presupposed restructuring several agencies. This year Lukashenka mentions government reform with regards to staff reduction in government agencies. It is already a closed issue. A decree "On several measures to improve the system of government agencies and other state organizations and the number of their employees" was signed on 12 April. The President, however, promises that the redundant civil servants will find employment.

The international relations section most likely lost weight due to quiet conditions and lack of serious conflicts both with the EU and Russia, as well as due to a low probability that such conflicts would appear in the near future. The President focuses on the fact that Belarus is important for the EU as a transit country both in terms of goods logistics and as a "filter layer" on the way of smuggling and illegal migration. Belarus does not want to "swear and quarrel" with the EU. The President, however, emphasises that "we go towards the Eurasian Union".

Conclusions

Given the substantial economic component of the President's address, it most likely should be regarded as the beginning of the 2015 campaign, rather than clear guidance in terms of growing economic problems. This is indicated in the first place by a large socio-economic section of the address, as well as by the theme of modernization of the economy, which should give a new impetus to economic growth (we remind that according to recent NISEPI polls, 64% of Belarusians believe that the economy is in crisis).