



Monthly Monitoring

Politics

- On the Road: Lukashenka attends Chavez' Funeral and visits South-Eastern Asia after Russia
- Serbian President and Turkey's Foreign Minister visit Minsk
- Conspicuous modesty to follow recent anti-corruption cases
- Dzień Voli Celebration unites the opposition but is largely ignored by society

Economy

- Exports shrink, stocks expand (75% of a monthly production output)
- IMF and EDB urge Minsk to stick to more realistic economic targets
- Retailers concerned about the retail trading bill

Society

- Preconditions for high inflation rates remain in place
- Problems in higher education acknowledged but not being solved
- Futher decrease in interest rates
- State organs discuss the living conditions of the disabled

Culture

- Niaklijeŭ gets Jerzy Giedroyz Award
- Soft Belarusiazation carried out by some NGOs and individuals
- Criminal charges dropped against ARCHE magazine
- Kupalaŭski theater reopened after the renovation

Politics

I. Foreign policy

In March, a number of important foreign policy events took place. Aliaksandr Lukashenka visited Venezuela to participate in the funeral ceremony and toured over South-East Asia. He also visited the United Arab Emirates and participated in the meeting of the Supreme Council of the Union State of Belarus and Russia in St. Petersburg. Besides, the President of Serbia and the Minister of Foreign Affairs of Turkey visited Minsk.

The dominant foreign policy event was the visit of the official delegation, led by Aliaksandr Lukashenka, to Indonesia and Singapore. These were the first Belarusian highest level visits to these countries. It was announced that Belarus had signed contracts with Indonesia worth USD 400 mln and reached agreements for even a greater amount. Foreign minister Vladimir Makei reacted strongly to the sceptical comments of independent experts regarding the outcome of the South-East Asian tour, saying he 'was surprised by the statements made by some narrow-minded economists from the opposition'. The Belarusian Ministry of Foreign Affairs started activating the relations with South-East Asia last year. In June 2012, the Embassy of Belarus was officially opened in Jakarta.

During his visit to Caracas, the Belarusian president met with the presidents of Bolivia and Ecuador. He reaffirmed the immutable nature of the relations between Belarus and Venezuela with Nicolás Maduro, Chávez 's likely successor.

During the meeting of the Belarus-Russia Union State Supreme Council, Aliaksandr Lukashenka made a request for a two billion loan from Russia for the purposes of industrial modernization. This issue was discussed by the Presidents of Russia and Belarus, with no specific outcome reported. In case Belarus fulfils the promise to privatize the public property for USD 2.5 billion, the loan would be deemed unnecessary, *Russian Minister of Finance Anton Siluanov informed.*

Serbian President Tomislav Nikolić's visit was quite successful for the official Minsk. Not only Nikolić decorated Alexander Lukashenka with the highest Serbian state award, but also publicly repented for the mistakes made by Serbia in relations with Belarus. Apparently, he meant Serbia's joining the EU-imposed sanctions against official Minsk.

On March 29, in Minsk, Ministers of Foreign Affairs of Belarus and Turkey Uladzimir Makey and Ahmet Davutoğlu and Belarusian Minister of Interior Igar Shunevich, signed agreements on visa-free travel and readmission that were negotiated since October 2010.

II. Authorities

Aliaksandr Lukashenka signed into action Decree to limit the amount of procurement of vehicles by the state organs as well as state-owned enterprises. The decree provides that new official cars price with the customs taxes included can not be higher than EUR 25,000. Offenders will be fined up Br 100 mln. Similarly to the scandalous exposure of corruption in the Presidential Property Management Department in February, this Decree can add a few points to the rating of the President that allegedly disciplines his corrupted "boyars" this way.

III. Opposition and Civil Society

In accordance with the old “Olympic” tradition, the annual celebration of *Dzień Wolі* (Freedom Day) on March 25, the date when the independence of the Belarusian People’s Republic was declared in 1918, makes various opposition groups and factions 'observe a truce' and unite their efforts in the work of the joint committee responsible for the organizations of celebration events. This year the major opposition groups followed this tradition and took on the responsibility to organize the Freedom Day procession.

Since the authorities authorized the Freedom Day procession in the capital city, opposition parties had a legal opportunity to mobilize their supporters for the participation in the dominant public event in the opposition’s political calendar. However, the procession gathered merely from 1 to 3 thousand participants, according to some estimates. The low number indicates both the shortcomings of the communication strategy applied by the organizing committee and the overall political apathy of the population in Belarus.

Economy

I. Foreign Trade

The negative balance of foreign trade remains the main problem. In January 2013, the exports from Belarus dropped 15% compared to January 2012, National Statistical Committee early March release shows. As of March 1, the warehouse stockpiles totalled 75.2% of a monthly production output that may be viewed as an anti-achievement since 2011 crisis year. Production increase despite low internal demand and expensive credits indicates the public enterprises managers' pursuit of a planned GDP growth at 8.5% during 2013.

Official visits to Indonesia and Singapore were primarily aimed at finding potential investors and increasing exports, state media reports emphasized. It should be noted that the declared amount of the contracts with Indonesia, USD 400 mln, does not mean the amount of exports from Belarus, but both import and export. Moreover, it is unclear how large the share of manufactured goods (tires, trucks, tractors, etc.) will be in the Belarusian export to Indonesia. In 2012, potassium made about 80% of Belarusian export to Indonesia.

First Deputy Prime Minister of Belarus Uladzimir Siamashka and Deputy Prime Minister of Russia Arkady Dvorkovich reached an agreement about increase in annual exports of the Belarusian oil products to Russia from 2.1 to 3.3 million tons. In addition, the two sides agreed upon as large volume of Russian oil supplies to Belarus as 5.75 million tons that meets the Minsk expectations about the 2013 annual balance of 23 million tons. According to Arkady Dvorkovich's spokeswoman Alia Samigullina, Russia is completely satisfied with the current import of oil products from Belarus. Nevertheless, Russia continues supplying oil to Belarus on the quarterly basis, in order to be in control over fulfilment of Belarusian obligations to supply agreed volumes of oil products to the Russian market.

In March, Belarusian oil products supplies to Ukraine saw 10% increase compared to February. Increase in the oil products export became a legal basis for Ukrainian oil refineries to file a complaint with the Ministry of Economy over state subsidies and dumping practices that harm Ukrainian fuel producers.

II. Financial Sector

An International Monetary Fund mission visited Belarus during March 14–25, 2013. The IMF team recommended Belarusian authorities to be cautious in attempting to achieve high economic growth rates in 2013. The mission advised the government to keep the 2013 wage growth at 12%, in line with the inflation target, and to keep a close eye on rapid foreign currency lending growth. In addition to traditional remarks on the need of deep structural reforms, the IMF experts also recommended to ensure a more responsible stance of fiscal policies, by further reduce of directed and subsidized lending, in particular.

Similar warnings about the consequences of the higher economic growth stimulation were made by the Eurasian Development Bank experts. According to the review of the CIS economies issued by the Bank in March, Belarusian authorities should choose between stimulation of an intensive economic growth with subsequent instability and curbing the inflation along with a moderate economic growth. *“Premature attempts to increase the GDP growth rate up to the level of the previous decade by stimulating the economy may result in a crisis similar the one occurred in 2011”*, the EDB report says.

However, the idea of deep structural economic reforms, once again proposed by the IMF experts, is rejected by the Belarusian officials. In addition to the ongoing consultations with the IMF, official Minsk continues negotiations over next tranches from the EurAsEC Anti-Crisis Fund.

III. Real Economy Sector

Formation of the RosBelAvto vehicle holding has already been started, Vladimir Putin stated at the meeting of the Supreme Council of the Union State of Russia and Belarus. It is expected that the holding will include leading Russian and Belarusian manufacturers of trucks KamAZ and MAZ, respectively. According to the Minister of Industry and Trade of Russia Denis Manturov, RosBelAvto will operate as a separate management company, involved in the two automotive giants' management.

Novapolack-located Naftan oil refinery was also added to the list of joint Belarus-Russia projects, governmental agencies reported. At present, no information about the potential investor available. Still, one may suggest that joint integration projects in the petrochemical industry will likely affect terms and condition of Russian oil supplies to Belarus.

IV. Business Community

The draft law “ n state regulation of retail and food service in the Republic of Belarus” has been introduced. The bill regulates relations between the state agencies, on the one side, and legal entities and entrepreneurs in the field of retail trade and food service, on the other. At present, close to 90% of retail in Belarus is privately owned.

Small and medium retail entrepreneurs complain that under the draft law retailers may be forced to sell illiquid goods of state producers. According to the article 22 of the draft law, retail stocks are to be agreed with local executive state agencies. Broad interpretation of this provision would authorize local authorities to force retailers to sell goods regardless the real demand. This may negatively affect financial conditions of small and medium retailers.

Society

In the month of March, the Belarusian authorities continued expressing their dissatisfaction with the situation in the education and other areas, but showed no intent to implement any specific reforms. Tariff rates continued rising throughout the month and modest increase in the wages barely offsets growing inflation. In the meantime, interest rate cut may be seen as a marker of economic stabilization. As for the social protection sphere, state agencies initiated discussion about the living conditions of disabled people.

Due to the high inflation rates recorded in the early 2013, one can hardly believe that the inflation annual rate target at 12% will be met. Deputy Prime Minister Piotr Prakapovich expressed his optimism about the pace of inflation explaining a previous inflation surge was caused by one-time tariffs increase in the beginning of the year. However, inflation is likely to grow further, since the tariffs are to be increased. The passenger transport fares in Minsk are planned to be increased by 35% in the course of the year, utility bills are to become heavier due to the new bill item on “building minor repairs”.

Aliaksandr Lukashenka took part in the meeting of the Council of Ministers, during which the pressing problems in the education system were discussed. *“There’s a total mess in our high schools, and nobody cares... It seems you start all reforms offhand”*, Aliaksandr Lukashenka said. He also expressed his dissatisfaction with ungrounded increases of tuition fees by the universities. One of the problems mentioned by the officials was the surplus of specialists with higher education and the acute shortage of workers with specialized secondary education. The problem is aggravated by temporary labour migration to Russia.

Governmental and non-governmental projects to support the disabled and marginalized social groups intensified. As part of the implementation of the Law on Social Services, the Ministry of Labour and Social Security launched the “Patronage” programme intended to provide assistance to people with disabilities. The Belarusian Association of Social Workers is developing the “Third Age University” project aimed at pensioners’ development and re-socialization. Minister of Education Siarhei Maskevich raised the issue of educational “inclusiveness” of people with disabilities during the meeting of the Ministerial Board.

The drop in interest rate from 30% to 28.5% should be regarded as a positive sign of the state of economy. In February, the wages continued growing steadily but they failed to reach the level of December of 2012. The average nominal wage totalled Br 4.5 million (USD 521). Increase in actual wages calculated by the National Statistics Committee stood at 1.9%. In late March, the Council of Ministers raised a new tariff rate of first grade to Br 250 thousand from the previous rate of Br 240 thousand. This will ensure a slow growth in the wages throughout the year.

Thus, major trends in the social sector were certain economic stabilization, slight increase in incomes and steadily rising inflation rate the same time, with no preconditions to slow down soon. The image of the welfare state is maintained by a number of not costly projects and actions. They include projects to support people with disabilities and people in crisis, reforms in the payroll system for medical professionals. Public agencies continue the policy of widening access to higher education, with no measures taken to improve its quality.

Culture

The cultural life in Belarus in the month of March was neither rich nor versatile. It appeared to be in a state of equilibrium when authorities made no attempts either to further de-liberalize the cultural sphere or to remarkably ease the existing restrictions and prohibitions. The “soft Belarusization” was carried out mainly in informal sector, not by the government.

On March 1, renowned Belarusian poet and public figure Uladzimir Niaklijeŭ received the first *Jerzy Giedroyc Award*. This literature prize was established in late 2011 and is awarded since 2012 for the best book written in prose published during the previous year in Belarusian either as hard copy or digitally. The award was founded by the Embassy of Poland in Belarus, the Polish Institute in Minsk, the Belarusian PEN Centre, the Belarusian Writers’ Union and the Polish-Belarusian bank ZAO SOMBelBank.

In the course of the month, the policy for Belarusization was pursued mainly by some NGOs and individual enthusiasts. On March 12 – 29, Minsk hosted Festival of Central European literature *Shengenka*. The organizers held five soirées to present the Belarusian translations of the books written by writers from the Central and South-Eastern Europe. The festival was organized by the Scientific and Literary Translation Laboratory and the *Budzma!* campaign and was supported by the Belarusian PEN Centre, the Belarusian Writers’ Union and the *PrajdziSvet* journal. The first Belarusian social network for the booklovers fond of the Belarusian literature was launched at bookster.by. It enabled users to evaluate and discuss the Belarusian literary works. The amateur classes of the Belarusian language, called *Mova ci kava*, continued.

It was reported in March that an in-depth inspection of the financial activities of the Arche magazine did not result in a criminal case against the edition. One may hope that the release of the Arche magazine would be resumed shortly. There have been no recent bans on live music concerts given by the allegedly blacklisted Belarusian performers. However, these musicians continue presenting their performances to the public in selected internet sources or by giving infrequent semi-underground concerts outside the official venues.

On March 29, the National Academic Theatre of Yanka Kupala was reopened after the extensive renovation that lasted for three years. At the reopening performance Lukashenka suggested that the theatre should consider self-financing. If this proposal is implemented, the scenic art in Belarus can be seriously endangered.

The relative stabilization in the cultural life in Belarus and current “freezing” of the existing cultural contradictions may be explained by recent attempts by the Belarusian authorities to normalize relations with the European Union. The state of cultural sphere will therefore take shape depending on the success of these efforts.