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## Politics

### I. Foreign policy

The landmark events this April included the visit by Kazakhstan Prime Minister S. Akhmetov to Minsk, acquisition of a part of a seaport terminal in Klaipeda, which could be regarded as a sort of guarantee of the continuous transit of Belarusian commodities via the Lithuanian port, and the ongoing efforts of Belarusian diplomats in the Western front amid contradictions manifested in Belarusian-Russian relations.

The most significant result of the meeting between Kazakhstan Prime Minister Serik Akhmetov and A. Lukashenka on 25 April was the statement that “politicization of processes” in the Common Economic Area (CEA) was inadmissible, which was supposed to become a signal both to the West and Russia (the latter insists on establishing a political union of the three countries as soon as possible). A source in the Belarusian administration also told the media that pegging the volume of crude oil deliveries to Belarus to some non-oil issues (such as the creation of joint ventures) ran counter to the CEA norms. On 19 April, A. Lukashenka said that the Belarusian side was not ready to privatize its enterprises for the time being, given reductions in asset prices in the wake of the global crisis, and asked Russia not to “bend” Belarus seeking resolution of these matters.

Furthermore, some confusion arose in the military relationship between Belarus and Russia. Media reports were issued during the visit by Russian Minister of Defense Sergey Shoygu to Minsk on 23 April that an additional four battalions of the S-300 anti-aircraft missile systems would be supplied to Belarus in 2014 and a Russian airbase with fighter aircraft would be established in Belarus in 2015. Only three days later, on 26 April, A. Lukashenka essentially refuted the statement by the Russian minister, by saying that it was not the creation of an airbase that the two had been talking about, but possible deliveries of Russian aircraft to the Belarusian Air Force, and that he, the commander-in-chief, was lacking some twenty modern aircrafts. These words were interpreted by the Russian side as an attempt to go back on some earlier promises made by the Belarusian state leader.

Against the backdrop of these contradictions in Belarusian-Russian relations, Belarusian diplomats remained super active in the Western front. Some of the most important developments this April were:

- Meeting between Ambassador of Belarus to France Paviel Latuška with Fabien Penone, diplomatic adviser to president of France.
- Meeting of Foreign Minister of Belarus Uladzimir Makej with his Latvian counterpart Edgars Rinkēvičs in Viciëbsk, with new Ambassador of the Republic of Lithuania Evaldas Ignatavičius, and with Charge d’Affaires at the U.S. Embassy in Minsk Ethan Goldrich.
- Following two rounds of consultations between the Foreign Ministries of Belarus and Sweden, the Belarusian side decided in favor of accrediting the Swedish charge d’affaires. One can expect that the resolution of the diplomatic conflict will soften Sweden’s stance on the exclusion of Foreign Minister Makiej from the EU “blacklist.”

Belarus closed on 18 April the deal with Lithuania to acquire a 30% shareholding in a dry bulk cargo terminal in the seaport of Klaipeda. The agreement was signed during the visit by Prime Minister of Belarus Michail Miasnikovič to Lithuania. Belarus thus offered Lithuania a sort of guarantee of transit of Belarusian potash fertilizers via Lithuania. Apparently, the move is expected to help Belarus garner Lithuania’s support in its bid to improve relationships with the European Union.

## II. Authorities

On 12 April, president Aliaksandr Lukashenka signed into law Decree No.168 to reduce the state machine, which envisions a 25% curtailment in the number of civil servants by the end of the year. Under the decree, the central administration will have to reduce its staff by 25%, regional administrations, by 29%, and district administrations, by 17%.

On 25 April, A. Lukashenka signed Decree No.206 "On the mandate of S.N. Rumas." The document vests the powers of the representative of Belarus in the Council of the Eurasian Economic Commission, of the deputy prime minister of Belarus in charge of the country's operation in the framework of the Union State, the Customs Union and the Common Economic Area, the Commonwealth of Independent States, the Eurasian Economic Community (EurAsEC) and the formation of the Eurasian Economic Union in Siarhei Rumas, chairman of the board of Development Bank of the Republic of Belarus. Furthermore, Rumas has been appointed the national coordinator of Belarus for CIS affairs. In order for S. Rumas to perform his new functions he has been included in the Council of Ministers and the Presidium of the Council of Ministers. The president has thus strengthened the positions of one of the authors of the provisionally liberal "Miasnikovič-Rumas economy," who is now in charge of the Eurasian integration. Quite importantly, Decree No.206 is one of the few "personalized" presidential decrees, which specify the powers of a concrete person rather than a position or some administrative agency.

## III. Opposition and civil society

The leaders of the movement "For Freedom," campaign "Tell the Truth!" and the BPF Party made on 8 April the joint statement "More Europe for Belarus," in which they call on the EU to unilaterally simplify, as much as possible, the visa procedures for the citizens of Belarus with further complete abolition of the consular fee for the issue of Schengen visas; commence practical implementation of the agreement on small border traffic movement for the citizens of Belarus; simplify the framework for small and medium-sized businesses to establish and operate joint Belarusian-European enterprises in the EU; provide more opportunities for the Belarusians to obtain European education; and increase the support for organizations of civil society and democratic forces operating inside Belarus. Should the government of Belarus fulfill the originally set terms and renew full-scale dialogue with the EU, the authors of the statement suggest resuming the negotiations with the Belarusian authorities in the framework of the Joint Interim Plan.

The statement can be interpreted, on the one hand, as a display of the unity of the positions of the three organizations and, on the other hand, an attempt to probe for levers to influence the situation in Belarus in the current political framework, with the offering of stimuli to official Minsk as well. Possibly, this statement, along with the previously voiced positions on the EU sanctions, prompted A. Lukashenka to say that the "enlightened" part of the "fifth column" is turning into the real opposition.

# Economy

## I. Foreign trade

Resolution No.99 of the Eurasian Economic Commission dated 24 April 2013 finally shut the “window” for Belarus’s “solvent and diluent” business, which became an important reason why the country managed to attain a foreign trade surplus of USD3.5 billion in the first three quarters of 2012. From now on (in 30 days, to be more precise) complex organic solvents will be classified as “oil products” in the Foreign Trade Commodity Classification and be subject to the export duty applied to relevant oil products.

The acquisition by Belaruskali of a 30% stake in a Klaipeda-based dry bulk cargo terminal appears to be a profitable investment both economically and as a measure contributing to the security of export deliveries of Belarusian potash. In 2012, 90% of Belarusian potash exports went via the Klaipeda terminal (5.7 million tons in volume terms). The purchase of a part of the terminal facilitates the talks over the terms of deliveries and shipment of potash and will stabilize transport and transshipment fees in the medium term.

## II. Financial sector

According to a preliminary report by Belstat statistical service, GDP grew by 3.4% year-on-year in the first quarter of 2013, and inflation rate reached 5.4%. In the first quarter of 2013, gold and foreign exchange reserves went up by USD136.2 million. The increase can primarily be attributed to the growth in sales of foreign exchange by households.

The National Bank of Belarus reduced on 17 April the refinancing rate, this time by 1.5 points (from 28.5% to 27%). According to the official explanation, the move was brought by “*slower inflation processes amid a surplus of foreign trade in goods and services and stable situation in the internal money market.*” However, given the slower foreign trade expansion rate, the trend towards a reduction in the refinancing rate observed in the last few months may stop because of shortages of foreign exchange receipts.

In April, Rating agency Standard and Poor’s revised its outlook on Belarus’s ratings to positive from stable. The rating itself remains very low, ‘B-’ (highly speculative). The agency reports a considerable stabilization of the economic situation following the financial crisis of 2011—a slower inflation rate, higher gold and foreign exchange reserves and reduction in the pressure on the exchange rate of the Belarusian ruble. According to S&P analysts, such tendencies result from more stringent macroeconomic policies. However, political risks, high government financing needs, and a reliance on external funding constrain the ratings. The agency expects growth to remain at no more than 3% in 2013, which is almost three times as low as the official GDP target of 8.5%.

The IMF’s World Economic Outlook (WEO) issued in April resonates with the S&P forecasts and confirms the skepticism about the GDP target that the IMF mission voiced in March. Based on the WEO, the IMF projects Belarus’s GDP to grow by 2.1% in 2013. The Russian Ministry of Economic Development expects economic growth in Belarus at 3.7%.

### III. Real economy

Overstocks remain a problem: in early March 2013, inventories were at 75.2% of the monthly output, whereas in April, the figure went up to 79.7%. As of 1 April, inventories were worth a total of 32.3 trillion Belarusian rubles, more than a quarter of the absolute amount of the country's GDP recorded in January-March 2013. The main "contributors" to the inventories are processing companies. Although A. Lukashenka made it clear in his annual address to the nation and the parliament this April that inventories needed to be cut down, there is no mechanism to deal with overstocks. Moreover, inventories will likely further increase in case of anticipated drops in oil prices and weaker demand in the Russian market, the largest consumer of Belarusian products.

Additional risks for Belarusian producers are generated by Russia's commitments to the World Trade Organization (WTO). According to the Ministry of Industry and Trade of Russia, the WTO principle requiring "equal rights for domestic producers and importers" has necessitated amendments to the Law "On Production and Consumer Waste", which envisage the introduction of the so-called utilization duty on vehicles imported in Russia, which currently stands at approximately USD650 and USD4,800 per passenger car and truck, respectively, based on the exchange rate of the Russian ruble. In 2012, Belarus exported to Russia 76,000 vehicles; passenger cars accounted for 73.8% of the total.

### IV. Entrepreneurs

Starting 1 April 2013, the benchmark rent rate was raised by 60% to 86,000 Belarusian rubles (USD 10). The rent rate was increased in pursuance of Decree No.150 "On some aspects of rent and free use of property," which stipulates annual adjustments in the lease rate depending on the inflation rate. The increase in the benchmark rent rate this year is a serious obstacle to the development of private business because of the associated hikes in utility fees and fuel prices.

In April, Babrujsk-based OAO Krasny pishchevik was *de facto* nationalized. Previously, co-owners of Belyazhmash, who used to have a blocking shareholding in the confectionery, resisted attempts to increase the state stake. In 2011, they had acquired a large shareholding in order to increase their influence in the producer; however, they lost their shares and suffered substantial losses on the basis of a court decision. The confrontation with the state came to an end on 12 April, when Krasny pishchevik held an extraordinary general meeting, which approved an increase in the state stake to more than 50%. The new supervisory board of the company has no representatives of Belyazhmash; it comprises five representatives of the state and four staff members of the confectionery.

## Society

Judging by the agenda for the spring session of the House of Representatives of the National Assembly of Belarus, no important innovations in the social sector will be introduced in the coming months. The second session of the lower house of parliament, which opened on 2 April, mentioned social issues only in passing. The presidential address to the nation and the National Assembly on 19 April comprised a special social block; however, the concerns voiced by the president could be categorized as banal election rhetoric. In 2013, the economic growth will hardly result in higher spending on social security and increase in wages paid to public sector employees.

The average monthly wage came to 4,692,800 rubles in March (USD541); in real terms, wages increased slightly faster than before — by 3% month-on-month. In February, real wages went up by 1.9% on the January level. Nevertheless, no increase in spending on social security and incomes of public sector employees is anticipated. Pensions are adjusted only when the average wage increases by 15%. A. Lukashenka said in his April address to the nation and the National Assembly: *“I would like to emphasize that there will be no populism. I have already said about physicians and teachers. I could have said about others. But high wages are out of the question until they begin to optimize themselves; the ministers are present and know what I mean.”* Apparently, there are no plans to increase budget expenditures to pay wages to public sector employees; higher wages will only be possible as a result of efforts to streamline concerned agencies and organizations.

A reform of the state administration system became a logical consequence of the strategy targeting an increase in wages through structural ministerial changes. Decree No.168 “On some measures to optimize the system of state authorities and other state organizations, as well as the number of their employees,” which envisions a 25% reduction in the number of staff of state administrative agencies, aims at reducing the costs of running the state machine and increasing wages paid to public servants.

The draft presidential decree that restores a 100% child care allowance for notaries, lawyers, individual entrepreneurs and craftsmen should be regarded as a positive change. Regulatory processes of this kind indicate continuous attempts to find a balance between the image of a social state and moves to rationalize the economy (by cutting social security spending). This strategy also modifies the arrangements envisaged by the housing construction program for 2013-2016. Amendments have been drafted to Decree No.13 of 6 January 2013 “On some aspects of the provision of state support for the construction (reconstruction) or acquisition of residential properties” to introduce limitations on the provision of subsidized housing. They include a ban on leasing subsidized housing within five years of the repayment of the home loan. Work is also underway to establish a mortgage agency in order for the state to share some of the burden associated with housing provision.

No significant changes and initiatives in healthcare and education are anticipated, either. Some of the changes aimed at streamlining the education system include the possibility for high school students to have additional classes in two selected disciplines starting September 2013. Furthermore, the Education Ministry is working on a bill to encourage the development of privately-owned pre-school educational organizations. The social block of the agenda for the ongoing session of the parliament only includes amendments to the Law “On labor protection” (seeking an increase in the protection of wage workers) and amendments to the Labor Code, aimed at “extending the rights of workers employed in various sectors of labor relations.”

Most of the public initiatives this April pertained to environmental issues. The prevalence of environmental concerns is attributed to the anniversary of the accident at the Chernobyl Nuclear Power Plant on 26 April 1986. The criticism of the construction of a nuclear power plant in Astraviec and renewal of benefits that used to be provided for the victims of the Chernobyl accident became the key components of the opposition agenda on these days, alongside democratization requirements and demands to release political prisoners. Besides nuclear power, public activists raised major concerns over the environmental situation in the city of Minsk. Leaders of local initiatives representing the communities of Uručča-2, Uschod-2 and some streets of the other Minsk districts held on 4 April a press conference to announce that they would be joining their efforts to counteract infill housing and enhance the protection of landscaped areas and ecological situation in the capital city. The activists signed a memorandum of cooperation and initiated the creation of a public-advisory council at the architecture and construction committee of the Minsk City Executive Committee, which would include representatives of the local initiatives.

The main trends in the social sector therefore included the continuing stabilization of the national economy and increase in well-being, albeit with no plans whatsoever to step up spending on social security and wages of public sector employees. The arrangements of the housing program for 2013-2016 are also adjusted in line with the trend towards cutting the budget spending on social security. Neither the lower house session nor programs of executive authorities make education and healthcare their priorities. Civil society was centered on environmental issues, which usually have a high profile in April.

## Culture

Following a short period of relative inactivity of state control in the cultural sector (the authorities made no attempts to further deliberalize the Belarusian cultural landscape, although they did not relax the policy of bans and limitations), a number of negative developments took place. A court recognized the book of news photos “Belarus Press Photo 2011” to be extremist, bans on concerts were renewed and the resumption of the Arche magazine operation was delayed. Further confrontation between official and unofficial culture became apparent.

In his traditional annual address, A. Lukashenka said that the main objectives of the cultural policy were to support the patriotic track in Belarusian culture, facilitate the development of traditional and contemporary culture aspects and strengthen the international prestige of the country. Lukashenka said that the Belarusian State Museum of the History of the Great Patriotic War in Minsk needed to be unveiled by the 70th anniversary of the liberation of Belarus, and that its display had to be the best in the world. He also ordered to take measures to revive unique Belarusian crafts, create a modern crafts-based souvenir industry and give a new substance to international festivals. He further gave instructions to expedite the creation of a contemporary art center in Minsk building on the best international practices and hold a large-scale exhibition in 2014 as part of the cultural program for the ice hockey championship. The essence of the plans voiced by Lukashenka and limited attention paid to culture in the annual address indicate the simplistic understanding of the role and place of culture in the contemporary world, which in Belarus remains firmly in the framework of a purely pragmatic mechanism to ‘service’ modern ideology.

On 18 April, The Ašmiany court branded the book of news photos “Belarus Press Photo 2011” as extremist. The court ruled to destroy 41 copies of the book seized on the Lithuanian-Belarusian border in November 2012. The court decision was based on the expert evaluation commissioned by the KGB, which concluded that the album “distorted the reality.” The situation was totally absurd, because the album comprised the submissions to the first independent competition of press photography in Belarus. The works were shortlisted by an independent international jury. The competition rules banned submission of the staged photos. The concert commemorating Aryna Viačorka — a producer, public figure, initiator of the revival of the knights movement and historical music in Belarus — originally scheduled to be held on 24 April, was cancelled without any credible explanation. The musical band Litesound made a statement about obstacles that they encountered when trying to organize concerts. The Arche magazine has not resumed its work so far.

Confrontation between official and unofficial culture in Belarus continues. Lyapis Trubetskoy, a band banned in Belarus, won the award “For Contribution” of the first professional Rock Profi music prize. The film “Viva, Belarus!” (directed by K. Łukaszewicz, written by F. Viačorka and K. Łukaszewicz) opened in Polish movie theaters. Ambassador of Belarus to Poland Viktor Haisionak had been trying to have the screenings cancelled.

Apparently, the further deliberalization of the cultural landscape in Belarus is accounted for not so much by the deliberately planned actions by the authorities, but rather for the inevitable consequence of the low competence of officials, their willingness to avoid any sort of responsibility, and to discourage any manifestation of civic initiative, autonomy and creative independence.