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Summary

This BISS-Trends issue is a semiannual monitoring report encompassing the main tendencies in the development of the Belarusian state and society in the first half of 2013.

The report identifies the key trends in the following areas:

- political democratization/political liberalization;
- economic liberalization;
- good governance and the rule of law;
- geopolitical orientation; and
- cultural policy.

Each of these areas is presented based on the following pattern:

- general characteristic of the main tendencies;
- description of the main events that defined the trend;
- description of additional events;
- brief forecast for the next six months.

At the start of the report we provide a brief summary of the main trends in the five target areas (Executive summary). It contains a table, which outlines the degree of progress or regress in each area. The issue also comprises a catalogue of the main events, developments and changes that were recorded in the first half of 2013 in each of the areas under analysis.

In addition to semiannual BISS-Trends report, the Belarusian Institute for Strategic Studies compiles monthly [BISS-Timeline](#) surveys of the main developments in the social, economic, political and cultural sectors.

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EXECUTIVE SUMMARY

Last year's trend in political democratization/political liberalization continued throughout the first half of 2013, as stagnation persisted without hikes in the scope of repression. Since April 2012, when Andrei Sannikau and Zmicier Bandarenka were released, no political prisoners have been discharged from prisons. Stagnation of indicators in the freedom of speech, freedom of association, and freedom of assembly—the trend observed during the previous period—remained in place; however, the first half of the year saw discussions and adoption of amendments to the legislation concerning the freedom of association and procedures for holding elections. The ongoing stagnation phase in this area is determined by the improvement of communications between Belarus and the West amid the lack of progress as far as the substance of these communications is concerned.

In the economic area, the macroeconomic situation retained equilibrium, although no structural economic reforms were put in place. A structural reorganization that is deemed necessary to boost the competitiveness of the national economy and create new growth points is substituted for by industrial modernization, announced in late 2012. Instead of liquidating obstacles to economic growth, including structural disparities, this 'complex modernization', on the contrary, becomes a potential threat to macroeconomic equilibrium. State interference into the economy has grown stronger with a view to meeting the impossible growth targets for 2013, which creates serious systemic risks capable of undercutting the economic stability achieved previously.

In the good governance and the rule of law section, sporadic positive changes took place, including the initiative to reform the state machine and make staff reductions with a simultaneous increase in compensations paid to state officials. Overall, the first half of the year saw the same trend towards regress, as well as state interference in the economy and other spheres of public life. The most alarming trend during that period was that the state clearly redoubled its efforts to interfere in property relations. The parliament considers a bill enabling the region administrations and Minsk city administration to appoint state representatives in privately-owned companies, which implies the reanimation of the 'golden share' practice.

In the first half of 2013, Belarus's dependence on Russia increased. Integration within the Common Economic Space and Russia's changing to carefully measured economic support for Belarus substantially narrow the room for maneuver for the Belarusian administration. The number of meetings between senior officials of the Belarusian Foreign Ministry and their counterparts from the EU Member States and institutions, as well as ambassadors of the EU Member States accredited in Belarus markedly increased. The Council of the European Union temporarily crossed Foreign Minister Uladzimir Makei out of its 'visa blacklist'. Nevertheless, it would be premature to say that the comprehensive process of normalization of relations with the West has begun.

The state cultural policy was completely contradictory in the first six months of the year, as periods of relative liberalization of the culture field alternated with deliberalization. Overall, compared with the situation in the sector in the 2012, the authorities made no blatant deliberalization moves, while making no efforts to slacken the policy of restrictions and bans. The events observed in the first half of the year proved that the country is lacking a serious concept for the promotion of national culture, a consistent and sensible state policy for the culture sector. 'Soft Belarusianization' continues mostly in the unofficial cultural framework, supported by some NGOs and public initiatives. ■

Focus area	Main trend
Political democratization	Stagnation, no quality changes
Economic liberalization	Regress, aggravation of negative trends
Good governance and the rule of law	Regress, increase in state interference in property relations
Geopolitical orientation	Growing dependence on Russia, step-up in contacts with the West, but no quality changes in the relations
Cultural policy	Stagnation, no quality changes

Trend 1

Political liberalization/political democratization

General characteristic of the main tendencies

Stagnation observed in late 2012 continued throughout the first half of 2013 with respect to the freedom of speech, freedom of association and freedom of assembly, as well as the scope of politically motivated arrests. Corresponding indicators did not show any considerable changes, which can be attributed mostly to the absence of active moves by the opposition and official policy towards tougher repression. A crucial indicator to assess the period under review is the lack of progress in the release of political prisoners. No political prisoners have been set free in Belarus since the release of Andrei Sannikau and Zmicier Bandarenka in April 2012. Against this backdrop, other aspects connected with the analyzed indicators are brought into the spotlight, namely, the discussion and adoption of amendments to the legislation that regulates the freedom of association and procedures for holding elections. It appears that the ongoing stagnation phase in the segment of political liberalization/democratization is determined by the improvement of communications between Belarus and the West amid the absence of progress as far as the substance of these communications is concerned.

Description of the main events that defined the trend

The fact that the release of political prisoners stalled, while there were no new prisoners of conscience is ample proof of stagnation during the reviewed period. In March, the criminal case against the Polish Hrodna-based journalist Andrzej Poczobut, who had been accused of slandering the president, was terminated.

The investigation into economic violations in respect of ARCHE magazine did not result in a criminal case, contrary to expectations. The editor of the publication, Valier Bulhakau, returned to Belarus from temporary forced emigration, and in June, the magazine was re-registered with a new editorial staff and founders. The first issue of the magazine came off the press since the authorities first put pressure on the publication in autumn 2012.

The amendments to the laws 'On public associations' and 'On political parties', which passed their first reading in the lower house of parliament on May 30, do not contain any improvements of the legal status of these organizations, although they do not affect it, either; however, they do remove some of the legal conflicts and technical obstacles to the composition of founders of the associations. Specifically, the amendments introduce less stringent requirements for the territorial composition of founders applied during the registration process. At the same time, Edict No.2 that

the president signed on January 24 introduced additional limitations on non-commercial organizations in the form of associations and unions, and entitled relevant authorities to liquidate an organization if its director or founder gets on the criminal watch list (for instance, that of the KGB), a procedure that remains opaque and is fraught with politically motivated arbitrariness. It is notable that this obviously repressive novelty is targeted against non-commercial organizations only and does not apply to commercial entities.

The lawmaking plan for the year envisages the adoption of amendments to the Electoral Code in September 2013, which can block some activities by the opposition (for instance, campaigning for boycotting elections). Despite the attempt by some opposition actors (the BPF Party, the movement "For Freedom!", the party "A Just World" and the campaign "Tell the Truth!") to initiate a public discussion of this issue, the drafting process is closed to the general public, whereas the proposals set forth by the opposition are not included in the current agenda by the entities that enjoy the right of legislative initiative.

In the spring of 2013, persecution of members of unregistered associations, including religious organizations, markedly intensified. In March and April alone, four warnings were issued about the possibility of criminal prosecution under article 193-1 of the Criminal Offenses Code, while in June, a new criminal case was initiated under this article.

The first instances of the application of repressive and restrictive amendments adopted in the autumn of 2011 were reported in the first half of 2013. The National Human Rights Public Association (RPOO) Belarusian Helsinki Committee and the Human Rights Center Viasna called the sentence passed on Andrei Haidukou (attempt to establish collaboration with a special service, security or intelligence body of a foreign state) ungrounded and politically motivated. Directors of NGOs were fined for accepting gratuitous foreign aid for the first time following a long pause (those were the first instances of administrative penalties under the articles of the Administrative Offenses Code amended in the autumn of 2011).

Description of additional events

The authorities continued their policy on the freedom of association that was initiated in 2012—the government allows some traditional actions by the opposition timed to certain dates, without sanctioning most of the rallies and pickets that the opposition applies for, especially in the regions. For instance, marches of the opposition celebrating some of the most significant dates—Freedom Day and Chernobyl Way—were prohibited everywhere

except Minsk, and those BPF Party members who filed the application to have a rally on Freedom Day in Viciebsk were sentenced to administrative arrests for distributing information about the planned action before it was officially authorized.

The evaluation of politically motivated administrative prosecution shows that the stagnation of this parameter, first observed in the middle of 2012, continues:

	2012				2013	
	1Q	2Q	3Q	4Q	1Q	2Q
Administrative prosecution	94	66	50	25	37	16
Including with administrative arrests	32	40	20	12	14	12

Data by the Human Rights Center Viasna (the 2012 statistics have been adjusted by the center)

In May, the United Civic Party's application to stage pickets in Minsk to commemorate the former interior minister Jury Zacharanka was denied, and in June, the authorities banned the picket to protest against the politically motivated dismissal of the head of the Slonim BPF Party organization Ivan Sheha. On May 1, the Belarusian Social-Democratic Party (Hramada) was allowed, for the first time in the past decade, to hold a march, which featured representatives of other opposition parties. At the same time, some participants in the sanctioned rallies and marches were arrested, along with journalists. The same holds for the few individual pickets and display banners.

Denials of registration and liquidation of public organizations still remain an important indicator to assess the freedom of association in Belarus. During the period under review, the public organizations 'Young Democrats', 'Tell the Truth', 'For Fair Election' were denied registration. The public organization 'Good Will' and the Russian culture society 'Rus' were liquidated based on court orders. The list of public organizations enjoying the preferential property lease rate, at 10% of the standard rate, has been more than halved to 195 from 451, based on a resolution by the Belarusian government. ■

Brief forecast for the next six months

Should the previously outlined trends towards a normalization of Belarus's relationship with the European Union continue, the administration in power could benefit from certain liberalization of the political life inside the country. This liberalization can take the form of further cuts in the number of politically motivated arrests and release of more political prisoners. Liberalization of the freedom of speech and the freedom of association is highly unlikely; the only chance of progress is that the application of some of the harshest restrictions will be limited, such as criminal liability for journalists and members of un-registered associations. One should also expect non-application of restrictions and repressive measures during the local councils elections campaign, which is scheduled to begin this autumn. Amendments to election regulations are still an open issue: it is planned to submit amendments to the Electoral Code to the parliament in September 2013, which suggests that the next elections will be held according to the old scenario.

Trend 2

Economic liberalization

General characteristic of the main tendencies

The macroeconomic situation retained its equilibrium in Belarus in the first six months of 2013; however, no structural economic reforms were put in place. The National Bank managed to bring down the degree of uncertainty in the money market observed in the autumn of 2012, when interbank lending rates fluctuated within the range from liquidity withdrawal rates to liquidity support rates. At the same time, the enhanced state interference in the national economy with a view to meeting the impossible whole-year targets brings about serious systemic risks capable of shaking the achieved macroeconomic stability.

Description of the main events that defined the trend

The administrative wage push by a quarter in real terms during the last 12 months produced a massive negative impact on the competitiveness of the manufacturing sector. Against the backdrop of unfavorable trends in foreign trade (export to the European Union dropped by 30% year-on-year during the first five months of 2013), the rise in wages and subsequent reduction in competitiveness became a major obstacle to rapid economic expansion (GDP growth slowed to 1.1% year-on-year) and brought about a 50% increase in unsold inventories in January-May 2013 to more than 80% of the average monthly production rate.

A structural reorganization that is required to improve the competitiveness of the economy and create new growth points is substituted for by industrial modernization, announced in late 2012 (already referred to as 'complex modernization' encompassing 711 enterprises—virtually the entire state sector). It is perceived exclusively as a technology modernization effort envisioning governance and management improvements, whereas no changes in economic relations (including property relations) are anticipated.

Therefore, following the achievement of macroeconomic stabilization, the 'complex modernization' initiative becomes a potential threat to macroeconomic equilibrium, as it substitutes for logical efforts to remove obstacles to economic growth in the form of structural disparities (transfer pricing, different operational environments for state-run and privately-owned enterprises, as well as enterprises operating at various phases of processing chains). Given the hasty preparation of the investment projects at the enterprises undergoing modernization, the positive results stemming from the renewal of capital assets are doubtful and may show only in a few years' time.

At the same time, the negative effects of this policy are quite obvious in the short term:

- Budget spending on modernization has already brought about an increase in loans to the economy and growth in money supply at

rates that are well above those originally expected by the central bank (excessive liquidity in the money market is over BYR10 trillion);

- The growth in investment import caused by purchases of new equipment contributes to the current account deficit, thus increasing the country's requirement for external financing of this deficit;
- Despite the change from the state-directed economy declared this year, the mechanisms to protect the business plans of the modernized entities at the level of local authorities and industry ministries lends the state a new instrument to control the economy at the microlevel.

Development Bank of the Republic of Belarus, which was established based largely on recommendations of international financial institutions and was supposed to become a key instrument to reform the system of financing of the state targeted programs, enjoyed additional rights to issue its own debt securities in both the external and internal markets in the first half of 2013. In practice, they have the same security as the debt securities issued by the central government. Therefore, amid the 'complex modernization' campaign in the manufacturing sector, the Development Bank contributes to the vicious practice of quasi-budget financing of the economy, which is virtually beyond the control of the National Bank, instead of enhancing transparency and putting limitations on the amount of above-the-line financing of state programs from the republican budget.

The increase in loans provided by the Development Bank for 'modernization projects' is not accounted for when the Anti-Crisis Fund of the EurAsEC provides new installments of its loan (lending by the bank is included in the 'increase in the bank loan to the economy' bracket). Therefore, the operation of the Development Bank is perceived by the government as an activity that sets off the moderately stringent monetary policy of the National Bank with respect to the (state-controlled) enterprises involved in 'complex modernization'. This further undermines the efforts by the National Bank to pursue macroeconomic stability and broadens the gap between the operational environments for state-run and private enterprises.

Instead of making efforts to do away with price disparities, which are obviously called for (through liberalization of price formation and liquidation of cross-subsidy), the authorities are moving in the opposite direction. The government has approved a monthly schedule for curbing the inflation rate, introducing administrative price controls to meet the inflation targets. It makes use of administrative price regulations to encourage the National Bank to further mitigate its monetary policy by way of further reducing the refinancing rate.

In turn, price disparities in the form of cross subsidy and transfer pricing are not liquidated, but hidden inside of holdings that are created within operating technological chains even if they are clearly out of place.

There is no progress in state property privatization, which could encourage competition and narrow the public sector of the economy while expanding the private sector. The government has managed to have the EurAsEC Anti-Crisis Fund remove the annual USD2.5 billion privatization requirement from the schedule for the provision of the remaining installments of its stabilization loan to Belarus. This requirement was transformed into the initiative to establish five 'integration projects' involving Belarusian and Russian capital, including the MAZ-KAMAZ holding, with a corresponding package of documents almost finalized, the integration of Minsk Wheeled Tractor Plant (MZKT) in the Russian military industrial sector, the joint project between OAO Gazprom and OAO Grodno Azot, integration between OAO Peleng and the Russian corporation Roscosmos, as well as between OAO Integral and Roselektronika. Of all the said projects, only the cooperation between MAZ and KAMAZ had been more or less finalized, until President Lukashenka as good as put the project on hold when he called the terms of the transaction 'lawless' in his annual address to the parliament and the nation.

Finally, the most alarming trend of the first half of 2013 was the increased interference of the state in property relations, at the level of both law administration (enlargement of state shareholdings in OAO Luch and OAO Sukno, despite the protests by the primary holders), and regulatory changes. The bill amending the law 'On privatization of state property and transformation of state unitary enterprises into open joint-stock companies' that was supported by the House of Representatives in a first reading vote lends the state unprecedented powers in the consolidation of minority shareholdings (less than

2%) and voting on their behalf through assigned 'state representatives' (who can be appointed even in a company that has no state stake at all). Further, state representatives have been enabled to block any decision made by the general meeting of shareholders.

This instrument, coupled with the mechanisms introduced previously, namely

- the pre-emptive right of the local authorities to buy shares in privatized enterprises;
- artificial imposition of tax liabilities as a result of tax inspections;
- provision of 'state support' for an enterprise from the state budget equal to the amount of the tax liability;
- increase in the state shareholding in the authorized fund of the enterprise proportionate to the amount of state support

will theoretically allow the state to dilute the stake of the principal (private) shareholder in any company originally transformed from a state-run enterprise and increase the state stake without any restrictions. The bill may have the same consequences as the notorious 'golden share' rule introduced in 1997, which slowed the development of the Belarusian capital market for more than a decade.

Description of additional events

In the spring of 2013, the authorities made an announcement that the concept of the program of macroeconomic transformations was ready to be submitted to the directors of the International Monetary Fund. However, hopes to resume collaboration with the IMF never became a reality—there were no members of the Belarusian government or the National Bank at the spring meetings of the World Bank and IMF Boards of Governors in Washington. ■

Brief forecast for the next six months

The negative tendencies observed in the first half of the year will likely continue and grow stronger, including:

- quasi-budget financing of 'complex modernization' programs;
- broadening of the gap between operational environments (access and cost of loans) for the state enterprises undergoing 'modernization' and privately-owned businesses that are not involved in modernization;
- enhancement of price disparities as a result of the application of administrative levers and price controls, as well as subsequent inflation expectations;
- increase in political pressure on the National Bank with a view to having it mitigate its monetary policy in order to artificially stimulate economic growth;
- expansion in state interference in the management and capital of privatized enterprises.

It is very likely that the said tendencies will create a serious threat to macroeconomic stability as early as the next six months, which will for its part escalate discrepancies between the National Bank and the government. The former pursues a policy to ensure equilibrium in the currency and money markets, whereas the latter is interested in boosting economic growth in order to ultimately meet the inflated performance targets for the year.

Trend 3

Good governance and the rule of law

General characteristic of the main tendencies

In the first six months of the year, regress prevailed in this focus area, although some positive changes did take place. The practice of state interference in the economy and other sectors of public life continued. Amid re-nationalization in the footwear and food-processing industries, the initiative to increase state control in joint-stock companies already successfully passed the first-reading vote in the lower house of parliament. The end of 2012 and the entire first half of 2013 were marked by debate over the bill on state possessory supervision in the joint-stock companies originally created as a result of transformations of state-owned entities. Officials insisted that the only objective of the new rule would be to protect the interests and freedoms of Belarusian citizens, including minority shareholders, whereas representatives of business communities voiced deep concerns about the interference of the state in the operation of companies with private capital. Some of the positive tendencies included the implementation of the initiative to reform the state machine and reduce the number of officials, while increasing the salaries of those left in official posts.

Description of the main events that defined the trend

1. On June 26, the lower house of parliament, the House of Representatives, supported in a first-reading vote the bill to amend the law 'On privatization of state property and transformation of state unitary enterprises into open joint-stock companies'. The document entitles state representatives to vote at general meetings of joint-stock companies using the votes of the absent minority shareholders and envisages the possibility of appointing state representatives even in the joint-stock companies, where the state does not hold a stake. State representatives will be entitled to veto the execution of decisions made by the general meeting up until a judicial appeal is lodged "if the implementation of such decisions runs counter to social benefit and security, harms the environment, prejudices the rights and legally protected interests of other persons." Virtually any decision taken by the management bodies of a joint-stock company can be embraced in this formula and vetoed. The bill appears a logical continuation of the tendency towards re-nationalization of joint-stock companies operating in the food-processing and footwear industries, which was observed in 2012 and the first half of 2013. Representatives of the national business community and dedicated international organizations rightly criticize the bill, which they say will reanimate the 'golden share' mechanism enabling the state to interfere in decision-making at virtually

any joint-stock companies, even those, in which the state does not have a single share.

2. The government keeps on making efforts to re-nationalize former state-run enterprises even after major scandals over Kommunarka and Spartak confectioneries. This time, the Minsk-based footwear producers Otiko and Sivelga—both parts of the Obuv-Luch holding—came into the view of the state. First Deputy Prime Minister Siamashka said in a statement that as soon as the state had controlling stakes in those two footwear makers back under its control, the companies would be integrated into the national footwear holding. The re-nationalization process was also observed at Babrujsk-based Krasny Pishchevik confectionery. These processes are peculiar, because the opinions of the meetings of shareholders and directors of the companies are shaped under the influence of the 'administrative leverage'.

3. Decree 'On certain arrangements to streamline the system of state administration and other state organizations, including the number of their employees', which was adopted in April, became an important landmark of the first half of the year. The decree provides for a reduction in the staff of government bodies and organizations by 25% and envisions a new structure of the local authorities, procedure for determining the number of employees at state-controlled enterprises and organizations. The document also sets some ministries additional tasks, while giving them more functions. The initiative itself is worthy of respect, because the reform of the national administration has long been overdue. The results of the reform will be evaluated in the second half of the year, because most of the arrangements outlined by the decree were to be implemented by July 1, 2013. Although the government was pressed for time when introducing the reform, which will obviously affect its quality, there is reason to hope that it will contribute to the effectiveness of the national administration in Belarus.

Description of additional events

1. Amendments to Decree 'On some issues of possessory supervision' are in line with the general reform of the state machine. The document provides for an increase in payments to state representatives in companies with a state shareholding. Although these payments have almost trebled, they remain quite modest in absolute terms (from 20 to 75 basic units, currently at BYR100,000, per quarter) and are not enough to encourage a state representative to make more than a formal effort in the management of a company. Apparently, boosting the motivation of state representatives is the right move; however, it is just a cosmetic

change in the system of state property management in Belarus.

2. Having evaluated the implementation of Directive No.4 (on encouraging entrepreneurship), the National Conference on Entrepreneurship said in a statement that only 25 out of the 133 provisions of the action plan to execute the Directive had been successfully implemented. In February, the Conference suggested including the 37 most important provisions that had not been implemented in the Economy Ministry's Action Plan to Promote Entrepreneurship for 2013-2015. Economy Minister Snapkou admitted at the Assembly of Business Communities of Belarus in March that the approaches to the implementation of Directive No.4 had been formal. Although the fact that the minister made a public statement does not mean that all of the proposals put forward by the business communities would be welcome, it is evidence enough that the Economy Ministry was set a task to improve the environment for entrepreneurship in Belarus.

3. Amendments to Decree No.72 on the regulation of tariffs and prices, which abolished state export price controls and the requirement for individual entrepreneurs and corporate entities that pay

taxes based on a simplified scheme to produce calculations of controlled prices/tariffs resulted in simplified business procedures for small businesses and exporters.

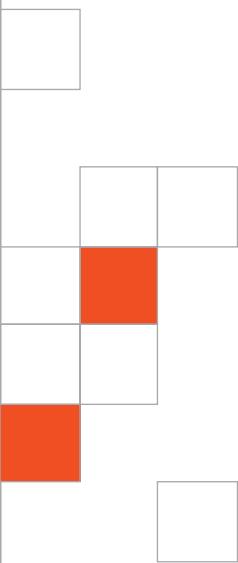
4. Belarus established a common database of controlling/supervising authorities, which is expected to help regulators select controlling agencies to conduct scheduled checks. The Tax Ministry, which is responsible for maintaining the database, provides information based on requests filed by both entities undergoing inspections and controlling agencies.

5. Amendments to Edict No.1 on state registration and liquidation of economic entities are designed to simplify procedures for opening a business. Specifically, the authorized fund of a business entity must be formed within 12 months of state registration, whereas previously, it was supposed to be available prior to registration, and the requirement to have verification of the evaluation of a non-monetary equity contribution has been cancelled. On the other hand, additional reasons have been introduced to deny state registration; further, the new document defines incomes that can be recovered from a business entity, whose registration is found invalid. ■

Brief forecast for the next six months

As long as the macroeconomic situation remains stable and individual incomes keep growing, which makes government agencies look legitimate in the eyes of the majority, the authorities will feel confident when passing almost any legislative initiatives. Under the circumstances, the tendency towards the strengthening of state control in all segments of life, including the economy—and with elements of interference in the operation of privately-owned businesses—will remain in place.

The next six months will also show how effective the reform of the state machine really was and how effective the work of the renewed state machine will be now that it has fewer officials and new sets of functions. A positive trend can be expected in this sphere, unless there are macroeconomic shocks, because the remaining officials will benefit from financial incentives, and the drain of skilled staff from the state agencies to the private sector or abroad will be narrowed. Overall, there are no reasons to believe that the management paradigm of the power vertical and the practice of 'manual operation' of the country taking the form of presidential decrees and edicts will undergo any changes.



Trend 4

Geopolitical orientation

General characteristic of the main tendencies

Belarus's dependence on Russia continued growing throughout the first half of 2013. Integration within the Common Economic Space (CES) and Russia's switch to carefully measured support for Belarus considerably narrow the room for Belarus to maneuver. Official Minsk's attempts to resist these processes by dragging out the fulfillment of its commitments in the scope of integration processes and referring to its exclusive status of Russia's number one ally were unsuccessful. The only thing that the country managed to achieve was to have Russia meet the minimum of its obligation to its western ally. Nevertheless, Russia showed its willingness to subsidize the Belarusian economy to a level sufficient not to allow its collapse and repetition of the events observed back in 2011. Furthermore, the dependence on Russia in the military-political sector increased, as the Belarusian administration agreed to establish a Russian airbase in Belarus.

During the first six months of 2013, Belarus's relations with the West marginally improved. The relations with the European Union were centered mostly on diplomatic efforts to enhance bilateral contacts. Regular meetings between high-ranking officials of the Belarusian Foreign Ministry and their counterparts representing the EU Member States and EU institutions, as well as ambassadors of the EU Member States accredited in Minsk, continued. The number of those meetings increased many times compared with previous two years, meaning that both sides are looking for ways to normalize the political relationship.

The tonality of Belarusian-American relations changed as well. The United States removed sanctions from several Belarusian enterprises. In January, A. Lukashenka received a delegation of American researchers representing the Jamestown Foundation. The Belarusian administration, for its part, voiced its interest in a more active engagement in the transit of NATO cargoes from Afghanistan. Nevertheless, it would be premature to speak about the beginning of a comprehensive normalization process.

Description of the main events that defined the trend

The matter of the fuel balance with Russia for the year 2013 remained high on Belarus's agenda during the first six months of the year. Given Belarus's failure to meet Russia's privatization requirements, the Russian administration changed to quarterly balances of fuel supplies, thus preventing a rapid growth in its ally's economy. On February 12, Russian Deputy Prime Minister A. Dvorkovich came to Belarus on an official visit, which looked more like an inspection tour of some of the enterprises, which Russia expects

will be privatized in Belarus soon. A. Dvorkovich proved to be especially interested in Grodno Azot, Gomselmash, MAZ and some microelectronics producers. The Russian official said that Belarus and Russia would soon hold talks over the integration of MAZ and KAMAZ and the possible integration of Grodno Azot with a Russian company that remained unnamed. All in all, Belarus and Russia plan to set up five joint ventures in the near future.

On February 18, the supervisory board of OAO Belaruskali approved the foundation of Soyuzkali GmbH, a joint trader of potash fertilizers with OAO Uralkali. The subsidiaries of Russian oil majors operating in Belarus began supplying gasoline and other oil products to the Russian market, thus limiting the Belarusian oil offshore and effectively fulfilling its fuel balance commitments, which was not the case in 2012. On April 26, the Board of the Eurasian Economic Commission ruled to classify compound organic solvents as oil products, which are subject to a duty, thus shutting the loophole for the Belarusian 'solvent/diluent' business.

When it comes to the issues beyond privatization and CES integration processes, Belarus shows its complete loyalty to Russia. The Belarusian side meticulously meets its obligations under the project to build its first nuclear power plant in Astraviec. Collaboration in the defense industry becomes more intense as well. Despite the serious criticism of the upcoming joint Belarusian-Russian military exercise West 2013 by some of the EU Member States, Minsk completely supports the idea to hold the exercise. On top of that, the Belarusian authorities agreed to provide a site for a Russian airbase. The deployment of such an airbase in Belarus will enable Russia to further complicate Minsk's next turn towards the West and strengthen its foothold in Belarus.

Belarus's EU effort was marked by the participation of Foreign Minister U. Makei in an informal meeting of the foreign ministers of the Eastern Partnership Member States that took place in Tbilisi on February 12-13. Makei met with Commissioner Štefan Füle and Deputy Secretary General for the External Action Service Helga Schmidt in the framework of the event and spoke in favor of resolving all of the outstanding problems through peaceful dialogue. He also voiced official Minsk's interest in further engagement in pan-European integration processes.

A working meeting between the Belarusian and Latvian foreign ministers took place in Viciebsk on April 10. The ministers managed to align their positions and, possibly, even outline the road-map for improving the mutual relations. During the stay of the Latvian delegation in Viciebsk, the Intergovernmental agreement on the regime of

the Belarusian-Latvian state border was signed. On April 17-18, Prime Minister M. Miasnikovich paid a visit to Lithuania. That was the highest-ranking visit that a Belarusian state official made since 2010. During Miasnikovič's visit to Lithuania, Belarus closed the deal to acquire a 30% shareholding in a dry bulk cargo terminal in the seaport of Klaipeda. Belarus thus offered Lithuania a sort of guarantee of transit of Belarusian potash fertilizers via that country. Apparently, the contract is supposed to help Belarus garner Lithuania's support in its bid to improve the relationship with Europe.

Description of additional events

Under Russia's increased pressure, Belarus continued the long-drawn discussion of the merger of MAZ and KAMAZ. Active talks over other projects that Russia is intensely interested in—MZKT and Grodno Azot—are underway.

On May 16, A. Lukashenka met with president of OAO NK Rosneft I. Sechin and president of OAO NK RussNeft M. Gutseriyev, and on May 20, he met with S. Kerimov, a major shareholder in OAO Uralkali. Sechin and Gutseriyev made it quite clear that they were interested in the Belarusian oil refineries and Grodno Azot.

Belarus is growing increasingly dependent on supplies of Russian hydrocarbons: Gazprom has announced plans to supply 23 billion cubic meters of natural gas to Belarus in 2014 (same as in 2013) and an agreement was reached between the Belarusian government and Gazprom

to switch public transport to gas engine fuel.

The attempts by First Deputy Prime Minister U. Siamashka to sign the fuel balance with Russia for the period to the end of 2013 in exchange for Belarus's pledge to honor its commitments failed: the signing of the fuel agreement was postponed; the deal was eventually signed only covering the third quarter of 2013.

In the meantime, Belarusian diplomacy was making active moves in the Western front. The Foreign Ministry decided to satisfy Sweden's request and accredit the Swedish charge d'affaires. Following the diplomatic scandal, when Belarus and Sweden shut each other's embassies in August 2012, that was a crucial step towards mending differences in the relations with Sweden and the European Union as a whole.

Minsk also had its say about the format of its engagement in the formal structures of cooperation with the EU. The Belarusian Foreign Ministry addressed a letter to the capitals of the EU Member States, in which Minsk suggested that the EU-proposed principles of the Dialogue on Modernization be revised. Minsk seeks a full-scale partnership at the level of governments without engaging the opposition or civil society.

In early June, Dunja Mijatović, OSCE Representative on Freedom of the Media, made a visit to Belarus and was received at quite a high level. Further, Minsk hosted a roundtable discussion of capital punishment under the aegis of the Council of Europe. ■

Brief forecast for the next six months

It is highly unlikely that Belarus will be able to enjoy any significant benefits in addition to the already massive Russian subsidies in the near term, which will likely bring about further economic aggravations and increased dependence on Russia in various areas. Minsk's attempts to counter Russia's attacks by enhancing contacts with the West and developing countries will hardly bear fruit. Nevertheless, the Belarusian authorities will continue 'unfreezing' their relations with the West seeking additional financial resources and investments, improvement of Belarus's image ahead of the 2014 IIHF World Championship and additional bargaining chips in their communications with Moscow.

Trend 5

Cultural policy

General characteristic of the main tendencies

Belarus's cultural policy in the first half of 2013 was marked by remarkably contradictory trends: the period of gradual de-liberalization of the cultural landscape (in January and February) was followed by two months of relative equilibrium (March and April), a month that can be referred to as liberalization (May) and, finally, one month of unsteady equilibrium (June). Overall, compared with the situation observed in the sector in the 2012, the authorities made no sharp de-liberalization attempts, while making no efforts to slacken the policy of restrictions and bans, either.

The events of the first half of the year evidenced that the country is lacking a serious concept for the promotion of national culture, a consistent and sensible state policy for the culture sector. The inconsistent and frequently absurd actions by the authorities contribute to further ideologization, politicization and polarization of Belarusian culture, a division into official and unofficial culture. At a time when the understanding of the role and place of culture in contemporary world remains inside the scope of 'servicing' the modern Belarusian ideology, when cultural processes are largely shaped by A. Lukashenka's personal aesthetic preferences (or the interpretation of his preferences by officials), the cultural life of the country shows symptoms of closedness and simplism. It is based to a great extent on mediocre models of Russian cultural products, especially Russian showbiz.

The 'soft Belarusianization' effort that became visible during the previous period continues mostly in the unofficial cultural field, supported by certain NGOs and public initiatives. With limited exceptions, the authorities are restricted to formal declarations when it comes to 'soft Belarusianization'.

Description of the main events

1. The situation around the so-called 'blacklists' of musicians was officially commented on. Asked whether Belarus had a list of banned performers, A. Lukashenka told a news conference in January that there was no list that he knew of and he had given no orders to compile such a list. The very question implying the possibility of placing a ban on someone's creative work did not seem unacceptable to the head of state, though.

During the reviewed period, Dzieciuki, Litesound, IQ48 and Dai Darogu! bands reported instances of restrictions on their performances. However, the concerts of the bands Krama, Neuro Dubel, N.R.M., Dai Darogu! (all of which had been reported to be on the 'blacklist'), organized in Minsk this May, were interpreted as an apparent cultural 'thaw'. However, this thaw never applied to the op-

eration of Belarus Free Theater, whose semi-underground performances are still closely watched by law-enforcement agencies. The most prominent bands on the 'blacklist' (including Lyapis Trubetskoy) did not have a chance to perform at home during the period under review.

There is a possibility that the reduction (cancellation?) of the 'blacklist' became a belated response to A. Lukashenka's public statement made back in January. It is more likely, though, that the resumption of concerts became possible as a result of backstage negotiations and efforts to meet halfway. It was reported that Neuro Dubel leader A. Kulinkovich became a columnist for the daily SB – Belarus Today, the mouthpiece of the Presidential Administration.

Anyway, the issue of blacklists became irrelevant on June 5, when A. Lukashenka signed Decree No.257 'On certain aspects of the organization and holding of cultural and entertaining events'. The document introduces the requirement to have an authorization to hold a mass event. Such authorizations can be received from ideology, culture and youth departments of a region administration (or the Minsk city administration for the organizers of mass events in Minsk). Belarusian performers will be issued tour cards free of charge; foreigners will have to pay a state duty to the special Talented Youth Support Fund of the President of the Republic of Belarus. The document enables officials to place legal bans based on ideological motives, while additional duties (and resulting increase in ticket prices) may further contribute to the closedness of Belarusian culture.

2. In March, it became known that there would be no criminal case against 'Arche. Pačatak' magazine; in May, the magazine was re-registered by the Information Ministry of Belarus. To resume its operation, the former editor-in-chief of the magazine, V. Bulhakau, returned to Belarus from temporary forced emigration. At the same time, in April, a court recognized the book of news photos 'Belarus Press Photo 2011' to be extremist, 'distorting reality' and subject to destruction. The situation was totally absurd, because the album comprised the submissions to the first independent competition of press photography in Belarus, where staged photos were not allowed.

3. In June, the history faculty of Hrodna State University was reported to merge with the tourism faculty, which is interpreted by the broad public as the final round of repression against the historians who had published 'Hrodna Studies. The History of a European Town', a book that was eventually banned. The contradictory actions by the authorities should be attributed to the absence of the general concept for the promotion of national culture, low competence of officials, their willing-

ness to avoid any sort of responsibility and to discourage any manifestation of civic initiative and creative independence.

4. The situation around 'soft Belarusianization' remains inconsistent. The commencement of the operation of the cultural and outreach digital channel Belarus-3 became perhaps the only, albeit quite considerable, contribution of the Belarusian authorities to the Belarusianization effort. The channel focusing on the national culture of Belarus has been included in the viewing grid; some 70% of all programs and shows are in the Belarusian language. The authorities traditionally confined themselves to making public declarations, which is not surprising, given A. Lukashenka's failing to use the Belarusian language even in his speeches delivered during Independence Day celebrations (he only makes use of Belarusian when he criticizes his opponents). NGOs and civic initiatives make an important contribution to 'soft Belarusianization' with their highly creative projects (actions undertaken by the Budzmal and Language or Coffee ('Mova ci kava', which sounds like 'Language is interesting') campaign, workshops and seminars, festivals, Belarusian language games, social networks, etc.).

Description of additional events

1. In his traditional annual address to the nation and the National Assembly this April, President Lukashenka paid quite little attention to culture; however, he noted that the 'patriotic line' in cul-

ture would remain a priority, as it was necessary to consolidate the country's international prestige. The following priority projects were mentioned: the creation of the world's leading WWII display at the Museum of the History of the Great Patriotic War, revival of folk crafts and creation of authentic souvenirs, new substance of international festivals, creation of an art center to foster contemporary art that will be established for the 2014 IIHF World Championship that will be held in Belarus. The speech became ample proof of the division of national culture into official and unofficial segments—the former enjoys official support and is used as an ideology instrument, whereas the latter is at best ignored.

2. The cultural events organized and held mostly by NGOs are pleasant exceptions. Some of the events that took place outside of the official cultural discourse included European Humanities University's Artes Liberales festival, festival of central European literature Schengenka, the Europe Day Film Festival that was organized in the framework of celebrations of Day of Europe, the first European Intercultural Festival and some others. Civil society seeks to offer its support for the people who suffer from persecution and infringements on their freedom of creativity: S. Michalok (Lyapis Trubetskoy) and L. Volski (Krambambulya) were named Brand-Persons; U. Niakliajeu was awarded the First Jerzy Giedroyc Prize; Lyapis Trubetskoy got the first Rock Profi's For Contribution Prize. ■

Brief forecast for the next six months

In a situation where the authorities seek normalization of the relations with the European Union, there will be no high-profile bans and restrictions on the freedom of creativity; however, there will be no marked liberalization of the cultural landscape, either. Ideologization, politicization and polarization of Belarusian culture will remain in place. The accumulated economic difficulties may bring about cuts in the financing of cultural projects, but the main events of the official cultural discourse will remain, including the participation in the Eurovision song contest, Slavianski Bazaar, beauty pageants, cultural program of the Dažynki harvest festival, etc. These events are designed to become the 'circuses' to be consumed by Belarusian voters.