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Summary

This new issue of BISS-Trends is a semiannual monitoring review of the main developments in the Belarusian state and society in the second half of 2014.

The report identifies the main trends in the following areas:

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

Each of these five priority areas is described based upon the following pattern:

- general characteristic of the main tendencies;
- description of the main developments that determined the rating of the trend;
- description of additional developments;
- brief forecast for the next six months.

At the beginning start of the report, we offer a brief summary of the main trends in the five target areas (Executive summary). This review also comprises a table that identifies the degree of progress or regress in each area.

Executive summary

Regress continued in the political democratization/political liberalization segment in the second half of the year, and negative changes were recorded. The main developments that identified the trend towards further deliberalization were curbs on the freedom of speech brought about by the new version of the law “On the mass media” and massive blocking of Internet news resources and media regardless of their political engagement. The second half of the year was marked by an increase in repression against human rights activists and journalists, whereas the scope of repression in terms of the freedom of association and freedom of assembly remained unchanged.

The economic sector was characterized by growing macroeconomic imbalances and lack of structural reforms to effectively address them. Amid deterioration of the external economic situation and modifications in the geopolitical landscape, the planning horizon has narrowed, and a trend emerged towards inconsistent economic decision-making. State regulation of the labor market and the tax sector has enhanced.

When it comes to good governance and rule of law, the positive trend has reversed, and negative progress was reported. Positive decisions were only taken in very tiny niches, such as property registration and terms and conditions for the operation of the China–Belarus Industrial Park (CBIP). In the case of the CBIP project, an exception was made rather than a policy change that would improve the overall investment climate in the country. In some areas, a change to “manual regulation” instruments was reported, with state interference in the media, the Internet, and the labor market growing higher.

In the geopolitical orientation segment, the trend towards further normalization of the relationship with the European Union grew stronger. At the same time, Belarus’s relationship with Russia entered a tense phase caused primarily by the lack of support by Belarus for Russia’s official position on Ukraine, as well as reluctance to share Russia’s vision on Eurasian integration. Russia, for its part, imposed sanctions on Belarusian food producers, while the Belarusian president made repeated critical remarks about the eastern ally. Belarus held new rounds of consultations with the European Union on visa facilitation and modernization. Further, official Minsk managed to improve its international image once it became the meeting venue for stakeholders to seek peaceful resolution of the Ukrainian crisis.

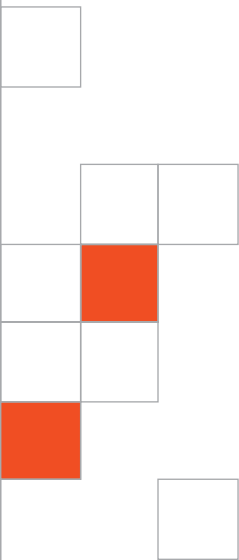
Belarus’s cultural sector was marked by improvements with positive quality changes. The authorities almost completely discontinued their “blacklist” practice and did not impede “soft Belarusianization” civil initiatives, many of which proved quite successful. The official cultural policy remains stagnant, overly politicized and teeming with ideology issues, though. The personnel crisis in the cultural sector appears to be a perennial problem. ■

Focus area	Main trend
Political liberalization	Regress within the framework of current negative trends, negative quality changes
Economic liberalization	Growing negative trends, negative quality changes
Good governance and rule of law	Reversal of the trend, tendency towards aggravation
Geopolitical orientation	Escalating tensions in the relationship with Russia, gradual normalization of the relationship with the West
Cultural policy	Improvement, progress towards quality changes

Trend 1

Political liberalization/political democratization

Main tendency: regress within the framework of current negative trends, negative quality changes in the freedom of speech



General characteristic of the main tendencies

The tendency towards political deliberalization continued throughout the second half of 2014. Limitations on the freedom of associations remained, as some non-profit organizations (NGOs and foundations) were denied registration. Further, new warnings about possible criminal prosecution were issued for activities undertaken on behalf of unregistered organizations.

The total number of NGOs registered in 2014 remained at the level recorded in 2013 (a bit more than 80), which is a lot less than in 2010–2012, when more than 100 organizations were registered in Belarus annually. Negative trends also continued as far as the freedom of assembly is concerned — the authorities allowed only sporadic rallies during the period under review. However, people were detained even during authorized rallies, and administrative charges were brought against their organizers. Arbitrary detentions of political activists ahead of significant social and political events became a common practice.

An all-new negative trend emerged with regard to the limitation on the freedom of speech. In late 2014, massive blocking of news websites was reported. Interestingly, the negative development was caused neither by the political calendar, nor by any activities of protest groups and the opposition, but by economic hardships and expectations of a marked depreciation of the Belarusian ruble. In this particular case, the authorities built their policy on their previous ruble depreciation experience of the year 2011, when the Internet became home to illegal currency exchange deals and was used to call for and coordinate public rallies. The experience of the second half of 2014 shows that political deliberalization may further become a preventive instrument used to rule out panic, protests, or any other escalation of negative social and political processes.

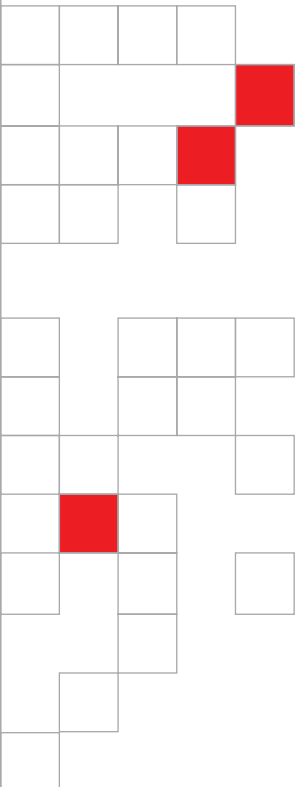
Additional manifestations of negative trends include the adopted amendments to the legislation on the mass media, public events, and control of the Internet. That group of amendments constitutes a quite traditional practice for the Belarusian authorities, which tend to tighten control ahead of a potentially significant political campaign — the presidential election of 2015. The adopted amendments formalize in the official legislation the well-tried practices for the authorities to block websites.

Description of the main developments that determined the trend

1. Starting 19 December 2014, following reports of the introduction of a 30% tax on purchases of foreign exchange, some popular Internet news resources were blocked in Belarus. The following websites were blocked — Belarus Partisan (belaruspartisan.org), Charter 97 (charter97.org), Salidarnasc (www.gazetaby.com), and later naviny.by and belapan.by, Tomorrow of Your Country (www.zautra.by), 21.by, udf.by and some others. All in all, about 10 websites were blocked. Various technical methods were used to limit access to the web resources in the .by domain area, those hosted in Belarus, and even foreign websites. Notably, limitations were applied to both openly oppositional websites and those maintaining political neutrality. At the same time, one of the most popular websites in Belarus — onliner.by — was removed from the national domain area by the decision of the Operations and Analysis Center under the President of the Republic of Belarus. The formal reason for the removal was a violation of Internet trading rules. The removal had been initiated by the Ministry of Trade, and the sanction was later applied to 30 online stores.

Attacks on news websites and online shops were all synchronized, and limitations on access to websites were only lifted after the situation in the money market more or less stabilized. This suggests that in this context, the Belarusian authorities made use of an integrated policy to prevent negative information from being disseminated on the Internet as the economic crisis unfolded.

That policy must have been developed building upon the ruble depreciation experience of the year 2011, when the Internet became a venue for exchange of views on the situation in the money market and coordination of currency exchange deals beyond the control of the official authorities. The global network promoted an environment, in which the notorious Revolution via Social Networks protest movement emerged. Apparently, following its successful tests in late 2014, the practice of limiting access to information will be further used as the economic predicament deteriorates and in association with political protests or elections. It is also noteworthy that the campaign for blocking Internet resources was launched simultaneously with the introduction of new legislative limitations on the freedom of speech



on the Internet.

2. On 17 December, amendments to the law “On the mass media”, which provide the Ministry of Information with new levers to control online resources, passed a second reading at the Belarusian parliament. The amendments were passed very fast, with no public discussion whatsoever, and came into effect on 1 January 2015. The new version of the law equates online resources to the mass media — from now on, websites must meet all of the requirements of the law on the mass media (except for the requirement to obtain state registration). Under the new law, website owners bear responsibility for any illegal content found on their sites, including materials that are considered extremist and capable of harming national interests. The Ministry of Information has been empowered to compile registers of “distributors” of such informational materials and block access to online resources without a court ruling if a website owner has

been warned twice within 12 months. The range of reasons for issuing such a warning has expanded compared with the previous version of the law.

Distribution of foreign television programs without preliminary registration was banned. Disputed messages should be removed from a website on the following day at the latest, and a denial should be published in its place. Foreigners cannot own more than 20% of shares (or equivalent stockholdings), or any other interest in any Belarusian media outlet, including an online media outlet.

3. In the second half of 2014, the number of cases of administrative prosecution considerably decreased compared with the first six months of the year, primarily because there were no significant public events, rallies, or marches pegged to the political calendar. The number of administrative prosecution cases and arrests almost halved.

	2012		2013		2014	
	2H	1H	2H	1H	2H	
Administrative prosecution	75	57	115	170	99	
Including with administrative arrests	32	27	32	67	40	

Source: Viasna Human Rights Center.

Description of additional developments that determined the trend

1. During the period under review, the outreach organization “Center for Legal Information” found itself under serious pressure — a court ruling was issued to revoke the permanent residence permit of its president Elena Tonkacheva (Aliena Tanka ova), a citizen of the Russian Federation, who lived in Belarus for the last 30 years, and expel her from the country subject to a three-year ban on visiting Belarus. The decision on her expulsion

was based upon numerous instances of speeding caught on camera. The execution of the expulsion decision was postponed until 24 January 2015 for the appeal period¹.

2. In the second half of 2014, the Belarusian authorities launched a campaign to be able to bring administrative charges against journalists who are not accredited in Belarus, but publish their materials in foreign media. Previously, sanctions against such journalists could only include warnings issued by the prosecutor’s office. ■

¹ The Pier amajski District Court of Minsk upheld the ruling on 13 January 2015.

Brief forecast for the next six months

Preventive limitations on the freedom of speech that are caused entirely by the economic predicament of the government and are not associated with political processes could become a long-term policy of the Belarusian administration. We believe it to be the main trend of the second half of 2014.

The first half of 2015 will become a period, when the Belarusian authorities will have to overcome the consequences of economic difficulties, including those resulting from the close economic ties with Russia, against which sanctions were imposed by western countries. The six months to come will be marked by preparations for the presidential election, which will be held in or prior to November 2015. Given these challenges, the authorities will have to address two issues that may seem mutually exclusive — to pursue a provisionally anti-crisis economic policy (which may lead to lower standards of living and lowering of key economic indicators) while ensuring an acceptable level of support for the official presidential policy (which the population tends to evaluate through the prism of personal incomes). Since these two issues cannot be effectively addressed at the same time (especially in the run up to the presidential election), measures to limit the freedom of speech will be applied on a broader scale. They will be used to constrain the distribution of negative information about the economic situation in the country and —should the crisis deepen and bring about unpopular decisions — to prevent panic. Further limitations on the freedom of assembly and pressure on the political opposition will depend on the activity of the opposition during the year of the presidential election and will aim at preventing the conversion of “economic discontent” into political protests. Political liberalization and democratization seem very unlikely in 2015: the authorities will seek to apply a controlled administrative pattern to the upcoming election irrespective of external factors and the real support of the population for the incumbent president.

Trend 2

Economic liberalization

Main tendency: growing negative trends, negative quality changes caused by the depreciation of the Russian ruble

General characteristic of the main tendencies

Belarus was quite optimistic about the way the second half of 2014 started. The county received a USD2 billion bridge loan from VTB bank, which enabled the National Bank to bring down rates on ruble-denominated loans faster than originally planned. In July, the first loan installment (USD450 million) was restructured into a state loan. At around that time, tensions escalated between Russia and the West. As a result, Russia suggested that Belarus should increase supplies of its food products to the Russian market, and the entire amount of the bridge loan, at USD1.5 billion, was restructured into a long-term state loan. Further, Belarus as good as “exchanged” the ratification of the Treaty on the Establishment of the Eurasian Economic Union (EEU) for an agreement on the return of oil export duties back to the Belarusian budget.

However, this is where the series of positive events for the Belarusian economy came to an end. The reduction in oil prices coupled with the policy of the Central Bank of the Russian Federation to weaken the Russian ruble reduced the growth in currency revenues from supplies of Belarusian food to Russia almost to nothing. Later, Russian consumers started complaining about Belarusian export supplies, some of which appear to have been re-exports of products, against which Russian sanctions had been imposed. As a result, Russia slapped export limitations on more than 20 Belarusian food suppliers.

The sharp depreciation of the Russian ruble in the first half of December became the biggest shock for the Belarusian economy. The passiveness of the Central Bank of Russia, which de facto chose not to use any instruments to regulate the currency market, caused panic in the Belarusian currency market as well. Russia’s refusal to provide a stabilization loan for the Belarusian economy forced the Belarusian administration to devalue the ruble.

The ruble was initially devaluated using indirect methods — by introducing a duty (referred to as a “tax”) for the purchase of foreign exchange, i.e. by allowing multiple exchange rates. Following the appointment of a new governor of the Central Bank, during the final days of 2014, the regulator started taking measures to do away with the multiplicity of rates, including through a reduction in the rate of the tax on the acquisition of foreign exchange from 30% to 20%, proportionally to the

increase in the value of foreign currencies vis-à-vis the Belarusian ruble¹.

Description of the main developments that determined the trend

1. The overall situation in the Belarusian economy deteriorated compared with the previous half of the year primarily as a result of accumulated negative consequences of the low efficiency of state-run enterprises. Inventories expanded by 22% in January–November, accounts payable and receivable went up by 13.8% and 10.2%, respectively (as of 1 November), the number of loss-making enterprises increased by 60%, and their net loss went up by 70%. Although inflation slowed in November to 0.6%, it reached 15.5% in the first eleven months of the year. Given the ruble depreciation impact, annual inflation will be at least half above the originally projected level.

2. The second half of 2014 was marked by numerous poor decisions by the administration of the country. It imposed limitations on supplies of Ukrainian goods and caused reciprocal measures by the Ukrainian side. Restrictions were eventually lifted by Belarus and then by Ukraine. The decision to introduce a commission for cash collection, which was supposed to encourage an increase in the share of cashless payments, proved to be ineffective, and the respective resolution was cancelled even before the document came into effect. Attempts to reduce the cost of ruble-denominated resources for the population and companies were unsuccessful, as loan rates went back from where they started, while the ruble kept losing its value.

3. The country launched a comprehensive set of measures to combat shadow economy and increase budget revenues. Limitations were imposed on transactions exceeding 1,000 basic amounts, mandatory shares of cashless payments were increased, rules for the use of the simplified taxation system were tightened, struggle against “salaries paid in envelopes” was stepped up, and so were efforts to fight so-called “parasitism”. Those measures will hardly have the intended effect, because they are aimed at increasing the number of taxpayers and the taxable base rather than structural changes in the rules of the game in the fiscal sector. That

¹ A zero rate was applied to the tax on the purchase of foreign exchange on 8 January 2015.

strategy will only encourage attempts to find new ways to circumvent the tax legislation.

4. The policy to devaluate the Belarusian ruble that was launched on 19 December 2014, was accompanied by a series of other restrictive measures. The OTC currency market was closed, the share of mandatory surrender of foreign exchange proceeds was increased to 50%, loans to the economy were curbed, and ruble-denominated deposits with guaranteed incomes were introduced. The administration of the country initiated an active search for new sources of foreign exchange. One of the final missions of then Prime Minister Michail Miasnikovi was to discuss with his Russian counterpart Dmitry Medvedev conditions for the eastern ally to additionally support the Belarusian economy. Belarusian ambassadors were once again tasked with promoting Belarusian export supplies, while the inclusion of a banker in the new government — as first vice-premier — proves Belarus's critical need to find foreign exchange.

Description of additional developments

1. In December, the country adopted the key parameters of its socioeconomic development forecast and main monetary guidelines for 2015. In previous years, key economic targets were normally adopted at the very end of the year, not in early December. It looks like the government was aware of the high risks of the looming crisis, and forecasts were approved earlier than usual in order to target at least some sort of growth.
2. The state abolished the export incentive enjoyed by Belarusian Potash Company, the country's exporter of potash fertilizers, on account of increasing sales volumes and reduction in budget revenues. Further, the government introduced a duty on the export of Belarusian oil. Export duties on oil that Belarus will be able to leave in its budget will be a lot lower than the USD1.5 billion originally promised by the Ministry of Finance in November 2014. The initial amount was calculated based on an oil price of at least USD70 per barrel, and if oil prices should further drop, the amount of duties left in the Belarusian budget will decrease accordingly. ■

Brief forecast for the next six months

Belarus's attempts to remain neutral in Russia's conflict with the West have not paid off. However, the attempts to make money out of the transit of the products that are subject to sanctions in Russia have already enraged the Russian authorities. Apparently, their refusal to grant Belarus a new loan and limitations imposed on Belarusian food producers stem from their discontent. One can expect this dissatisfaction to lead to further curtailment in the volume of subsidies to the Belarusian economy during the next six months.

The year before the election leaves the Belarusian economy no room for maneuver. Troubles in external markets and the need to maintain living standards high enough ahead of the election set the authorities a very difficult task. Throughout the next six months, the following will be quite likely:

- Money and credit policy will tighten, causing conflicts between the National Bank and the government ahead of the presidential election;
 - Step devaluation of the Belarusian ruble;
 - New price distortions caused by a moratorium on the rise in prices of domestically-produced goods and, consequently, an increase in inflation expectations;
 - Reduction in lending to the economy that is necessary to achieve macroeconomic stabilization;
 - New legislative initiatives aimed to find sources of revenues domestically (such as the tax on "parasites")
-

Trend 3

Good governance and rule of law

Main tendency: reversal of the trend, tendency towards aggravation

General characteristic of the main tendencies

The second half of 2014 was an eventful period in terms of both external and internal political developments, which produced a dramatic impact on good governance and rule of law in Belarus.

The period under review saw the ratification of the Treaty on the Establishment of the Eurasian Economic Union (EEU), which is designed to further integrate Belarus and the other signatories with Russia in both political and economic areas.

At the same time, where possible, the Belarusian authorities were making sporadic attempts to improve the investment climate for some selected initiatives (the best example being Decree No.326 on the China–Belarus Industrial Park), while emphasizing the country's sovereignty (introduction of a border area regime in the territories adjacent to the Russian border).

Also during the six months under review, the trend towards the “manual regulation” of the country grew stronger. This tendency manifested itself in the labor and media markets, as well as in the personnel policy in the country's administration. The higher level of regulation by no means implied progress in good governance and rule of law. There were no significant positive changes across the sector, whereas the few favorable developments were only recorded in narrow niches.

Description of the main developments that determined the trend

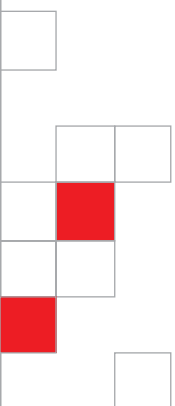
1. The end of the year 2014 turned out to be quite eventful, but the main development that defined the trend was the late-year reshuffle of the country's senior executives. It looks like there are two factors to account for the reshuffles in the government, the Presidential Executive Office, and the National Bank — the former ministers took the beating for the currency crisis at the end of the year, and new managers from the vertical of power were appointed to key positions to manage the country in the year ahead of the presidential election. The tendency towards rejuvenation of ministries and agencies is by no means new one — some recent examples include the new defense minister and the new chief of the State Customs Committee. If we take a look at specific officials, we will see that nearly all of the “old staffers” were appointed to new positions. Specifically, Andrej Kabiako was appointed prime minister, Aliaksandr Kosiniec became chief of the Presidential Executive Office, and

Michail Miasnikovi was appointed chairman of the Council of the Republic, the upper chamber of parliament.

2. The Defense Directive and related documents adopted in December outline negative scenarios that threaten the security of the country and possible responses to potential threats for a five-year period. The Directive was passed at a regular scheduled meeting of the Security Council; however, it is apparent that such a document was inspired by some of the recent external events. When making remarks on the Directive, the president mentioned — probably for the first time ever in the context of external threats — the “eastern nature” of potential threats. The contents of the Directive and related documents are secret and cannot be properly examined; however, in the light of the trend under analysis, the most significant fact is the ongoing campaign to bring the state authorities to “advanced alert” status ahead of the year 2015.

3. There is obviously an important political and psychological agenda underlying the official justification for the Decree on the introduction of border areas along the state border with Russia — “to effectively detect and suppress illegal transit migration, drug trafficking, and illegal transfer of material assets across the border.” Amid volatilities in neighboring countries, including fears that Russia may wish to apply the “Ukrainian scenario” to Belarus, the establishment of a border area regime and border zones is an attempt to control, at least partially, the longest section of the Belarusian state border that prior to that had been de facto subject to virtually no control.

4. Edict No.5 “On the strengthening of requirements for executive personnel and employees of organizations” expands the mandate of heads of state-run and privately-owned organizations in implementing their policies to “ensure production, technological, executive, and labor discipline.” Any failure to meet the requirements of the document may result in a dismissal of executives — even managers of private businesses can be dismissed based upon a written request of relevant inspecting authorities. Further, the document includes a list of so-called “discrediting circumstances” that constitute grounds for the termination of labor contracts with employees and executives. An executive that has been dismissed on the grounds of “discrediting circumstances” may not be appointed to a new executive position for five years, unless the local authorities decide



otherwise. At the same time, executives are granted additional (compared with the Labor Code) rights in respect of their employees who fail to meet disciplinary requirements. The document allows executives to alter the terms and conditions of employment of such employees subject to a seven-day notice (previously, a 30-day notice was mandatory), deny such an employee the right to have bonuses for up to 12 months, suspend him/her from work and withdraw compensation for the period of suspension, and dismiss an employee following a simplified procedure. These harsh measures will hardly boost economic performance; however, chances are very high that the additional rights granted by the document will often be misused.

Description of additional developments

1. The ratification of the EEU Treaty by the Belarusian parliament did not come as something unexpected, although uncertainty remained until the very last moment against the backdrop of a trade dispute with Russia. On 1 January 2015, the Union became a fully operational entity and in addition to the original three members will comprise Armenia and Kyrgyzstan. Nevertheless, the future of the Union remains vague, because its members' interests and expectations differ dramatically, especially the interests of Russia and the "junior" EEU partners.
2. One of the main innovations of the new version of the law "On the mass media" adopted in December is the application of its requirements to online news resources. A practical result of this change is that from now on owners of online news portals will have to prevent the dissemination of information that fails to meet legal requirements. The law makes it possible to block or limit access to resources that have been warned twice within 12 months

in association with the distribution of materials or messages that may not be disseminated.

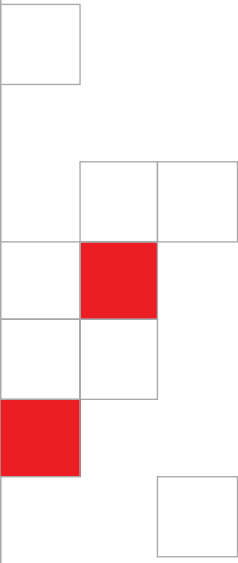
3. Decree No.326 on the China–Belarus Industrial Park (CBIP)¹ is meant to upgrade the regulatory framework to the reality and give a new impetus to the project that has become increasingly relevant for Belarus now that its Russian partners have become unpredictable. Under the Decree, the Park has been given the status of a separate territorial entity of the Republic of Belarus subject to special treatment. The residents of the Park are exempted from some taxes for a period of 10 years from their registration as residents and will enjoy other benefits. The concept of the Park and its favorable framework conditions are naturally a very good idea in the context of efforts to attract major investors. It remains to be seen, though, how the document will boost investors' confidence in Belarus's business environment, where regulations are mostly amended overnight by presidential decrees and ordinances, which are equated to laws.

4. The Program for the development of the system of state registration of real property for 2014–2018 adopted by the Council of Ministers envisages a change from paper archives to those digital. It is planned that part of the registration process will be fully automated, and possibilities will be provided to apply for registration online. It is also planned to reduce the period of registration from two–seven days to one hour. The state register of real property will be upgraded to the ISO 19152 international standard, which will enable the country to integrate into international property markets in the future. ■

1 Although the decree was signed on 30 June 2014, it was published as late as 8 July, and therefore included in the list of developments that took place in the second half of the year.

Brief forecast for the next six months

Now that the situation remains uncertain both inside and outside the country, it is very hard to make forecasts for the next six months. Nevertheless, one should expect crackdown to grow stronger during the year of the presidential election, i.e. the state will increase its interference in all sectors of public life, while the existing administrative system will remain in place. The appointment of new officials to executive posts was necessitated by the need to interrupt crisis developments rather than the wish to start introducing economic reforms. It is obvious now that the period when the Belarusian administration could take a pause and focus on efforts to improve the regulatory system and administrative agencies in order to boost Belarus's competitive advantages is now officially over. In 2015, the authorities will have to work in a "state of emergency" trying to respond to external and especially internal manifestations of the ongoing crisis.



Trend 4

Geopolitical orientation

Main tendency: escalating tensions in the relationship with Russia, gradual normalization of the relationship with the West

General characteristic of the main tendencies

Amid ongoing integration within the framework of the Eurasian Economic Union (EEU) tensions — both political and economic — between Belarus and Russia markedly escalated. One reason was that Russia accused Belarus of re-exporting the European products that were banned in Russia and having an independent position on the Ukrainian crisis that differed from that of the Kremlin.

The tendency towards normalization of relations with the West remained and grew stronger. New rounds of consultations on visa facilitation and modernization were held between Belarus and the European Union. A series of important events and mutual visits took place within the framework of the Belarus–U.S. relationship. Belarus's official stance on Ukraine, which resulted in the recognition of Minsk as the venue for peace negotiations improved the international image of the country and promoted further increase in contacts with the West.

Description of the main developments that determined the trend

1. One of the main bottlenecks in the Belarus–Russia relationship is Belarus's special stance on the Ukrainian administration, the armed conflict in the east of Ukraine, and recognition of annexed Crimea. Belarus keeps supporting Ukraine in many areas and is using its balancing chip in its relationships with the European Union and the United States. The economic stagnation in Russia, drop in oil prices, and dramatic depreciation of the Russian ruble caused uncertainty in trade and growing losses of Belarusian exporters.

The main developments of the second half of the year were the ratification of the Treaty on the Establishment of the Eurasian Economic Union by the Belarusian parliament on 9 October and agreement on additional subsidies from Russia. The ratification move was made after Russia agreed to make up for the possible losses of the Belarusian budget caused by the tax maneuver in the Russian oil sector. Russia's original attitude was uncompromising, but eventually it agreed that Belarus would be compensated USD700 million by having transfers of the entire amount of export duties on oil to the Belarusian budget in 2015.

Despite integration progress, representatives of the Belarusian administration continued making critical remarks about Russia. When ratifying the

EEU Treaty, the House of Representatives issued a special statement calling for the abolition of all exclusions and limitations from the new integration entity.

On 14 October, Deputy Prime Minister Uladzimir Siama ka said that Belarus and Russia were having disagreements over integration projects. On 17 October, the Belarusian president made a few barbed remarks about Russia during his press conference for the Russian regional media. Specifically, he referred to the Russian tax maneuver as a manifestation of that country's imperial ambition and claimed that some of the lands in the Pskov, Smolensk, and Bryansk Regions of Russia had once been the territory of Belarus.

Economic troubles brought about an escalation of tensions in the bilateral relationship, manifested in numerous bans and suspensions of supplies of various Belarusian products to Russia (meat, meat products, fruit and vegetables) imposed by Russian state services, primarily by the Russian Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoz nadzor). On 21 November, Rosselkhoz nadzor banned import of food products made by nine Belarusian meat-packing factories citing complaints about their safety. Afterwards, more than 20 Belarusian producers suffered from such bans. The conflict was even made public, meaning that the contradictions were very intense. Lukashenka made a series of harsh comments criticizing Russia's policy.

Amid mutual criticism, Belarusian customs houses reportedly resumed on 8 December inspections of trucks on the Belarusian–Russian border, which produced a negative impact on the image of the Customs Union and the emerging Eurasian Economic Union. Moreover, according to media reports, the Belarusian customs service on 29 December prevented 29 trucks full of electronics and household appliances from the Kaliningrad Region bound for Russia from crossing the state border between Lithuania and Belarus.

2. On 26 August, Minsk played host the Ukraine–European Union–Customs Union summit, attended by the presidents of Belarus, Russia, Kazakhstan, Ukraine, and Catherine Ashton, High Representative of the European Union for Foreign Affairs & Security Policy, G nther Oettinger, EU Energy Commissioner, and Karel De Gucht, EU Trade Commissioner. In addition to her participation in the summit, Catherine Ashton held a bilateral meeting with President Aliaksandr Lukashenka, where she thanked

the Belarusian leader for his initiative to host peaceful negotiations. Although no serious progress was reached in the matter of the resolution of the Ukrainian crisis during the meeting, the Belarusian administration managed to improve its international image and preserve good relations with both Ukraine and Russia, which had to acknowledge Belarus's role as a neutral negotiating venue.

Russia's sanctions against European food makers became another catalyst contributing to the engagement between the European Union and Belarus. In September and October, representatives of political and business communities of the EU member states adjacent to Belarus stepped up their efforts seeking to have their products processed in Belarus and further exported to Russia.

3. On 8–10 July, a Belarusian delegation led by Deputy Foreign Minister Aliena Kupčyna visited Brussels to participate in the second round of consultations on modernization. This time the agenda for the meeting included trade and investment issues. The third and fourth rounds of talks were held in Brussels on 29 September–1 October and in Minsk on 19 November, respectively. The third round of consultations focused on water management, waste reclamation, and conservation of biological diversity, improvement of radiological monitoring, development of the energy and transport systems of Belarus, and use of alternative energy, as well as accession of Belarus to the European Union's thematic mechanisms and programs. The fourth round of consultations centered on education, regional development and social policy in Belarus, as well as the EU's facilitation instruments in these areas.

4. On 22 July, Foreign Minister Uladzimir Makiej participated in a ministerial meeting of the Eastern Partnership member states in Brussels. The ministers discussed the prospects of the development of the Eastern Partnership in the context of the situation in the region and following the signing of the European Union Association Agreements by Georgia, Moldova and Ukraine. They also considered the preparation for the next EaP summit that is scheduled to take place in Riga in May 2015.

5. A U.S. Government interagency delegation visited Minsk on 8–11 September 2014¹. The delegation conducted meetings in the Ministries of Defense, Education, and the Economy, Ministry of Foreign Affairs, and met with opposition and civil society leaders, relatives of political prisoners, representatives of independent think tanks and businessmen. According to official reports, the objective of the visit was to explore the situation in human rights, economic development, security and

1 The delegation comprised USAID Assistant Administrator Paige Alexander, Deputy Assistant Secretary of Defense Evelyn Farkas, and Deputy Assistant Secretary of State Thomas Melia, representatives of the Department of State, USAID Regional Office, and the U.S. Embassy in Minsk.

international relations, as well as possibilities for resuming and expanding cooperation with Belarus on areas of mutual concern. According to available unofficial reports, in its meetings with the government agencies the delegation addressed ongoing and anticipated reforms and possibilities for the United States to provide assistance, i.e. at least opportunities for “modernization dialogues” that were previously launched with the European Union.

September 2014 saw another event that was unprecedented for the current level of the bilateral Belarus–U.S. relationship. On 22–24 September, a Belarusian delegation led by Prime Minister Michail Miasnikovič visited the United States. The official reason for the visit was the participation in the UN Climate Summit. However, a few other important events were held as well, including the Belarusian-American Investment Forum, a meeting with IMF Deputy Managing Director Zhu Min, a meeting with the UN secretary-general, and a presidential reception, featuring a ceremonial exchange of greetings between Barack Obama and Miasnikovič.

6. On 14 November, Belarus Investment Forum was held in London. Economy Minister Mikalaj Snapkoŭ and Chairman of the Board of the Development Bank of the Republic of Belarus Siarhiej Rumas became the newsmakers of the Belarusian delegation. The National Investment and Privatization Agency reported² that up to 150 participants attended the event.

7. On 24 and 25 November, Brussels played host to the second round of talks between Belarus and the European Union on the facilitation of visa procedures and readmission.

On 11 December, heads of the EU diplomatic missions were invited to a meeting at the Belarusian Foreign Ministry, where Deputy Foreign Minister Aliena Kupčyna all of a sudden informed the European diplomats about the current challenges to the relationship between Belarus and Russia and progress of Eurasian integration processes. The press service of the Belarusian Foreign Ministry reported that “in this context, the importance of dialogue and cooperation between Belarus and the EU was noted.” That was the first time since 2010 that Minsk openly appealed to the EU with regard to its bilateral relations with the Kremlin. This time the move was triggered by the limitations on supplies of Belarusian-made dairy and meat products to Russia.

Description of additional developments

1. In early July, Belarus received a USD450 million state loan from Russia within the framework of the intergovernmental agreement of 31 January 2014. On 24 July, the Russian ambassador to Belarus said that Russia had offered Belarus to place production facilities in

2 List of participants in the Belarus Investment Forum in London, the UK, 14.11.2014, <http://investinbelarus.by/invest/forumLondon/participants/>

its territory to manufacture several thousand products for its defense industry complex, and on 13 August, Belarus and Russia reached an agreement on additional supplies of food to Russia with a view to overcoming the Russian trade embargo.

On 29 September, the Belarusian state budget received USD1.55 billion of Russia's state loan previously approved by Prime Minister Dmitry Medvedev. On 3 October, the Russian government approved another state loan to Belarus amounting to USD10 billion to finance 90% of the contracts associated with the construction of the Belarusian Nuclear Power Plant in Astraviec.

2. On 15 October, the commander of the Russian Air Force said that a Russian airbase, where Su-27 fighters would be deployed, was expected to be established in Babrujsk in 2016, and later the Russian defense minister reported the completion of supplies of four S-300 air defense systems to Belarus.

3. In early July, the EU removed the names of eight officials from its list of Belarusian persons subject to sanctions, and added one name. The move was not particularly significant, but many observers called it a positive step towards the normalization of the relationship.

On 30 October, the Council of the European Union decided to extend its sanctions against Belarus for another year. At the same time, twenty-four individuals were crossed out from the list (including several journalists working for the state-run media), along with seven companies. The list currently comprises 201 individuals and 18 companies³.

³ Among the individuals and companies crossed out from the "blacklist" were businessmen Uladzimir Piefcijeŭ, and Anatol Ciernaŭski, as well as several companies owned by another Belarusian businessman Jury Čyž. Sanctions were lifted before the Court of Justice of the European Union issued rulings on their respective claims.

4. On 23 and 24 November, Foreign Minister Uladzimir Makiej paid a working visit to Austria. The heavy agenda included, apart from the UN and CEI meetings, negotiations between Makiej and his Austrian counterpart Sebastian Kurz. They addressed topical issues of the bilateral agenda, status of the relationship between Belarus and the European Union, as well as regional issues. When in Vienna, Makiej also met with president of Austrian Federal Economic Chamber Christoph Leitl to address trade, economic, and investment cooperation.

5. Another noteworthy economic event — the Belarusian–Polish Investment Forum — was held in Warsaw on 1 December. The Belarusian delegation was led by Deputy Prime Minister Michail Rusy. Three cooperation agreements were signed at the forum — an agreement between the National Investment and Privatization Agency and the Polish Information and Foreign Investment Agency, an agreement between the National Institute of Professional Education and the Poznan Center for Continuing Education and Practice, and an agreement between the State Standardization Committee and the Polish Standardization Committee.

6. On 10 December, Uladzimir Makiej and then Aliena Kupčyna received a delegation of the political directors of the foreign ministries of the Visegrad Group participating countries (Poland, Slovakia, Hungary, and the Czech Republic). That was the first visit of this format to Minsk, which is a natural consequence of the Ukrainian crisis bringing about a situation in Eastern Europe where the EU member states are looking to establish a constructive dialogue with Belarus. ■

Brief forecast for the next six months

Despite further integration, the Belarus–Russia relationship has entered a phase of uncertainty. The trade row between Minsk and Moscow, troubles in the Russian economy, and tensions caused by Minsk's support for official Kyiv put President Lukashenka in quite an intricate situation during the election year. He will have to find a balance between efforts to normalize Belarus's relationship with the West and need to keep Russia's support for the Belarusian economy, while maintaining positive relations with Ukraine.

The relationship with the West will keep improving, at least until the presidential election. Agreements on visa facilitation and readmission with the European Union may be signed. Further intensification of negotiations over the full-scale operation of the U.S. Embassy in Belarus is also likely in the first half of 2015. For its part, Russia will be increasing its pressure on Belarus in order to slow the progress of its relationship with the West, make it take a more definite pro-Russia stance regarding the Ukrainian crisis, allow Russian capital to participate in the Belarusian privatization process, and enable Russia to establish its military bases in Belarus.

Trend 5

Cultural policy

Main tendency: improvement, progress towards quality changes

General characteristic of the main tendencies

Serious changes were recorded in Belarus's cultural life in the second half of 2014. The country's cultural space was marked by relative liberalization — for the first time in many years, the authorities managed to allow more things than they banned, and the so-called “blacklists of performers” virtually fell out of use. Against the backdrop of the Ukrainian crisis, “soft Belarusianization” became especially relevant, and Belarusian civil society that pursues this initiative managed to implement a few new projects and remained considerably ahead of the official authorities, which had adopted a cautious and neutral wait-and-see attitude. Over the last six months, a series of remarkable cultural projects were implemented, showcasing the vast potential of Belarusian national arts, including performing arts, contemporary visual arts, etc.

Nevertheless, no progress was detected in the resolution of the main and most sensitive problems of the official policy on culture. Belarus is still lacking a long-term distinct concept for the development of national culture; the cultural field remains overly politicized and overburdened with ideological issues. Furthermore, the aesthetic and ideological controversy between official culture and contemporary Belarusian underground still remains, and the personnel crisis in the sector is growing more acute.

Description of the main developments that determined the trend

1. Relative liberalization of Belarus's cultural space was most conspicuous in youth musical art. Over the past few months, the authorities managed to refrain from imposing any high-profile bans, and the majority of bands and performers who were associated with the so-called “blacklists” were giving concerts without any obstacles. Even the Ukrainian band Okean Elzy was issued authorization to tour Belarus despite the fact that the band had actively supported the Ukrainian revolution. Amid Belarus's musical “thaw” the situation with the performer Zmicier Vajciuškievič remained uncertain — after a three-year pause, the Minsk City Administration issued a tour card enabling Vajciuškievič to perform at the Šarko Community Center in Minsk on 29 October. However, his concerts in Viciebsk and Brest scheduled for December never took place, and the musician's application for giving a concert at the MAZ Community Center on 12 January was rejected

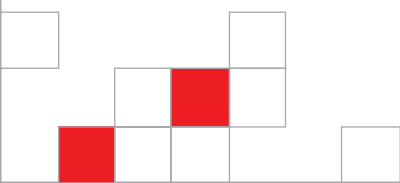
by the department for ideology and culture of the Minsk City Administration.

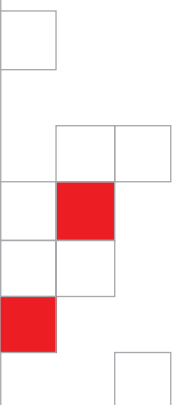
Siarhiej Michalok, the frontman of Lyapis Trubeckoj that dissolved last year, who is known for his negative remarks about the authorities and the president, is still banned from performing in Belarus. Michalok's new band BRUTTO does not give concerts in Belarus. Apparently, there is an unofficial ban on performances by BRUTTO, which is why the concert that the band announced would take place at Minsk-Arena before the game between Dynamo Minsk and Medveščak Zagreb on 29 November was cancelled. The announcement about the concert was removed from the official website of Dynamo Minsk without any comments.

2. Bans were applied to some other creative activities as well. On 24 October, ahead of the opening of the art show Pahonia by the Belarusian Union of Artists Art-Orša-Rubon that celebrated the 500th anniversary of the battle of Orša, two paintings by the well-known Belarusian artist Alies Maračkin were removed from the display without giving any reason. The paintings centered on sensitive topical issues: the conflict between Russia and Ukraine, and the problems of the contemporary Belarusian authorities.

On 23 October, a presentation of Viktor Marcinovič's book “Mova” was frustrated in Hrodna. The police treated the author's meeting with his readers as an unsanctioned rally and drew up a respective protocol. At the start of December, an unscheduled tax audit was conducted at the Lohvinaŭ bookstore, and a fine amounting to 1 billion rubles was imposed on the owner for the distribution of book products without a relevant license from the Ministry of Information. Lohvinaŭ, which specializes in contemporary Belarusian literature, tried to obtain the license eight times throughout 2014, but all of the owner's applications were rejected for various reasons.

3. The events in Ukraine made the “soft Belarusianization” process more relevant than before. The awareness of the national identity and search for adequate responses to modern challenges became an essential problem to be addressed by today's Belarusian society. Of special importance within the framework of this initiative were the numerous projects of Belarusian civil society that managed to involve in its activities not only the thin nationally-oriented audience, but also the social groups





(primarily the young ones) that used to be indifferent towards these problems.

“Being a Belarusian Is Fashionable” was the slogan for numerous thematic events that were held at many clubs and cafés of Minsk in November and December. Such events featured performances by Belarusian musicians and writers, screenings of movies in the Belarusian language, fairs of national souvenirs, and dishes of the national cuisine. Some glamorous clubs even showed erotic dances in Belarusian vyšyvanka shirts (Blackhall Bar, 28 November), which drew a mixed response from society.

Free-of-charge Belarusian language lessons became even more popular: Mova Nanova courses began their operation — instead of now-defunct Movacikava language courses — in Minsk, Hrodna, Brest, Mahilioŭ, Viciebsk, Babrujsk, Baranavičy, Kyiv, and Krakow. On 27 November, the courses received state registration. On 12 November, the tut.by web portal launched its Belarusian-language MovaTut project. Further, the Kročym razam parent club for Belarusian-speaking families continues its operation in Minsk.

4. On 18 October, Mahilioŭ-based Zialionaja Rošča ethnographic center played host to the first Belarusian Dranik Fest, which brought together more than 4,000 people. Minsk hosted the Vyšyvanka Day festivals of Belarusian culture twice during the six months under review — on 5 October and 13 December, where manufacturers and distributors of Belarusian national costumes and souvenirs presented their products. On 6 December, volunteers handed out more than 11,000 ribbons with Belarusian ornaments to people in Minsk streets. The ribbons were handed out as part of the “Mark Yourself as a Belarusian” project, which was arranged by the Art Siadziba association. Ribbons with traditional white and red Belarusian national ornament successfully replaced the banned national flag in the community of nationally-oriented Belarusian citizens.

5. On 16 December, the National Bank started selling commemorative coins “Konstanty Ostrogski”. Also contributing quite significantly to the “soft Belarusianization” process was the patriotic civil position of famed Belarusian athletes. On 28 September, the “MovaCup” festival was held at their initiative and with the support of the Ministry of Sport and Tourism — communication was exclusively in the Belarusian language during the festival.

6. The official attitude of the Belarusian authorities to “soft Belarusianization” marginally changed — the policy of blanket bans was obviously replaced with the policy of “wait-and-see neutrality”. In the second half of 2014, the authorities did not reject collaboration proposals from civil initiatives, did not prevent them from renting premises for their projects,

etc. It is indicative that even Art Siadziba, which had constantly suffered from bans, is now able to implement its projects almost without any obstacles. More Belarusian-language advertisements have been launched; new streets in Minsk were named after some prominent figures of Belarusian national culture (S. Staniuta, L. Alieksandroŭskaja, and J. Hliebaŭ). Further, a new Pra-Naviny news program was launched on the BelMuzTV Channel in December, and on 5 December, Belarus’s first monument to Maksim Tank was unveiled in Miadziel. To crown it all, Minsk’s main Christmas Tree was decorated with the use of the national ornament.

Because the official cultural policy ceased to be independent long ago, it is apparent that the cautious support for “soft Belarusianization” is at least a “proactive” initiative of the country’s administration, if not an independently articulated attempt. Indeed, against the complicated geopolitical background Lukashenka, who had been absolutely indifferent to the issue of national and cultural revival, had to give society a few clear signals. These signals have become part of the official discourse.

It was noticed that although Lukashenka still refers to the Russians as “brothers” the president does not call the Belarusians and the Russians “the same nation”. Moreover, a part of the speech that the president delivered at the formal meeting celebrating Independence Day was made in the Belarusian language. On 29 September, when speaking to members of the House of Representatives of the National Assembly, Lukashenka called for increasing the number of Belarusian language lessons in regular schools. On 3 October, when meeting with the finalists of the nationwide “Best Teacher of the Year” contest he suddenly confessed that he appreciated works by his political opponent Vasil Bykaŭ, and said: “we and our children should know them.”

Possibilities for promoting the Belarusian language and literature were explored at a meeting between the head of state and representatives of the creative community on 23 October, where Lukashenka voiced an idea that a national university should be established in Belarus, in which all disciplines would be taught in the Belarusian language. These signals made by the authorities indicate not only the habitual pre-election liberalization phase, but also the fact that the administration is aware of the need for changes in the official attitude to the evolution of national identity of Belarusian society.

Description of additional developments

1. The second half of the year traditionally features a series of events included in the official cultural discourse. This cultural program normally comprises the events celebrating

Independence Day of the Republic of Belarus, the Slavonic Bazaar Festival in Viciebsk, Day of Belarusian Written Language, Day of Minsk, Listapad Minsk International Film Festival, and some more.

Last year, all of the traditional events were held according to old well-tried scenarios that clearly need changes — even the organizers admit this. Senior officials at the Ministry of Culture make regular comments about the need to alter the traditional program of the “main cultural event of the year” — Slavonic Bazaar in Viciebsk. Despite some sporadic attempts to make changes (artists from not only the former Soviet Union, but also beyond it are now invited to participate, and amendments were made to the rules of the contest of young performers, etc.), last year’s 23rd addition of the Bazaar failed to show an all-new concept of the event. The venues were filled with numerous Russian pop stars who have regularly performed in Viciebsk for two decades now. However, this year, the format for the traditional Da ynki harvest festival has changed: instead of a single national festival that used to be held in a single town in great style, this year

each region had its own Dažynki celebrations. Anyway, there is an opinion that the format was altered because of financial problems.

2. Personnel crisis remains in place in the cultural sector: now that the chief criteria for candidates are their commitment to the official ideology and willingness to promote it selflessly, the professionalism and experience of a potential executive appear to be secondary.

This trend is especially conspicuous in Belarusian theater. On 22 October, A. Starych, the former deputy CEO at JSC Belshina, was appointed director of the Jakub Kolas National Academic Drama Theater. The director and creative manager of the Brest Puppet Theater M. Šaviel failed to have his contract extended, and there were reports that the next artistic director would be a person with no experience in managing a theater whatsoever. It is hard to account for the actions of the Haradok municipal authorities, which erected a monument to the poem Taras na Parnasie ahead of the Da ynki festival, but had to dismantle it on 28 November being unable to pay for it — the only possible reason is incompetence. ■

Brief forecast for the next six months

There is every reason to believe that the trend towards liberalization of the cultural landscape that emerged in the second half of 2014 will grow stronger in 2015. The authorities will try to avoid high-profile bans and limitations on creative work, but will continue to demand that culture figures provide both ideological and propaganda support for the current development model. Civil society will be making serious efforts to promote and accelerate “soft Belarusianization”. The authorities will likely keep their neutral wait-and-see attitude and attempt to maneuver in order not to irritate Russia, which tends to perceive such processes as the promotion of “Belarusian nationalism”.