

BTI 2016 | Belarus Country Report

Status Index	1-10	4.27	# 99 of 129	
Political Transformation	1-10	3.93	# 91 of 129	➔
Economic Transformation	1-10	4.61	# 90 of 129	➔
Management Index	1-10	3.02	# 115 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	9.5	HDI	0.786	GDP p.c., PPP \$	18184.9
Pop. growth ¹	% p.a.	0.0	HDI rank of 187	53	Gini Index	26.0
Life expectancy	years	72.5	UN Education Index	0.820	Poverty ³	% 0.0
Urban population	%	76.3	Gender inequality ²	0.152	Aid per capita \$	11.1

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

Summer 2014 marked the 20th anniversary of Aliaksandr Lukashenka's election as the first, and so far only, president of the Republic of Belarus. He is currently the longest serving political leader in Europe. The period under review coincided with a relatively quiet point in the Belarusian political cycle, with no parliamentary or presidential elections. The majority of those arrested in the violent crackdown after the 2010 elections have since been released, although a handful of political prisoners remain in jail. The focus of both the state authorities and political opposition has been on the forthcoming presidential elections scheduled to occur before the end of 2015. On the administration side, there was a major government reshuffling at the end of 2014. Meanwhile, the opposition was still debating its tactics and strategies for the upcoming election and at the beginning of 2015, with less than a year before the polls open, had not yet reached agreement.

Weak economic growth and precarious macroeconomic stability following an economic downturn in 2011 once again erupted into a full-blown crisis at the end of 2014. A currency crisis in Russia finally precipitated a long expected devaluation of the Belarusian ruble, a new threat of hyperinflation, and the prospect of a drop in real incomes for Belarusian households in the run up to national elections. Usually at this stage in the political business cycle, politically motivated manipulation of the economy would be expected to ensure that wages and pensions went up prior to the election. Lukashenka had promised an average monthly salary of \$1,000 in 2015, which is now highly unlikely. Serious structural reforms to address the underlying problems in the Belarusian economy have still not been undertaken.

Relations with the West remain cool, with a travel ban on blacklisted Belarusian officials and some limited economic sanctions still in place. In spite of being a founding member of the Russian-led Eurasian Economic Union, relations between Minsk and Moscow have also been strained. Lukashenka has been conspicuous in his lack of public support for Russia's interventions in Ukraine during 2014. While professing fraternal ties with Russia, the authorities in Minsk have

also increasingly emphasized the distinctiveness of Belarus and reasserted the sovereignty of the country.

History and Characteristics of Transformation

In the final years of the Soviet Union, the Belarusian elite did not pursue liberalization. Although a national independence movement was established it did not emerge as a major force. This was partially due to a weak Belarusian national identity, and partly to the resolve of some Belarusian decision makers to continue enjoying the benefits of cooperation with Russia. National independence was not an active process, but rather the result of the failed August 1991 coup against the Soviet leader Mikhail Gorbachev. The transformation of the Belarusian Soviet Socialist Republic into the Republic of Belarus did not lead to a fundamental change in the nation's elite, and institutional reforms were carried out only slowly. Because of the massive industrialization and modernization of Belarus during Soviet times, many people retained considerable nostalgia toward the Soviet Union.

An important institutional turning point was the adoption of the Belarusian Constitution in March 1994, which created the office of a powerful president. With the help of a populist electoral campaign, Aliaksandr Lukashenka succeeded in winning the presidency in summer 1994. Since that time, the country's development has been dominated by the president's autocratic power. Lukashenka consolidated his authoritarian regime with the help of a constitutional referendum in 1996, and another referendum in 2004 that permitted him to be reelected for more than two terms in office. Since the beginning of his tenure, Lukashenka has increasingly monitored and repressed the opposition, independent media, civil society and the private business sector.

The opposition has not been represented in the legislature at all since 2004. Elections have consistently fallen short of OSCE/ODIHR standards for democratic balloting. For a brief period between 2008 and 2010 the Belarusian regime made some concessions in fulfilling democratic standards to facilitate economic and technical cooperation with the West. All high-profile political prisoners were released and there were minor improvements in the election process for the 2008 parliamentary poll. This in conjunction with converging foreign policy considerations in the wake of Russia's war against Georgia led to a tentative warming of relations with the European Union. During the 2010 presidential elections, the regime allowed opposition candidates to campaign more openly than had previously been the case. Having been reelected for a fourth term in elections that were still deemed neither free and fair, Lukashenka's regime renewed a harsh level of repression against opposition activists, civil society and independent media. In response, the West re-imposed sanctions against the regime which had briefly been lifted during the thaw in relations.

Lukashenka's rise to power halted and reversed any limited liberalization and privatization that had emerged in the wake of independence. Within the regime's administrative straitjacket, progress in macroeconomic reforms has been incremental at best and liable to reversals.

Lukashenka has maintained resource-intensive social services and other social policies. Despite its command-economy policies, Belarus has managed to maintain a degree of socioeconomic stability that satisfies many in the country. The country has not experienced any sweeping economic booms, but it has managed to somehow weather intermittent economic downturns such as the financial crisis in 2011.

Unlike some successful transition economies, Lukashenka's "market socialism" is not based on dynamic factors such as extensive foreign direct investment, the growth of small and medium-sized businesses, or agricultural reform. For many years Belarus profited from cheap subsidized energy imports from Russia. This decreased the pressure on the country's Soviet-style industries to modernize, allowed for expensive, populist social programs and enabled the country to resell refined oil products to the West for lucrative profits. Since 2007, Russia has been more keen to bring energy prices for Belarus to world market levels, and coupled with the global financial crisis in late 2008 this threatened an economic slowdown. In response to worsening conditions and a full-scale financial crisis in 2011, Belarus undertook some economic reforms and improved business conditions for private entrepreneurs. Long-promised major privatization drives are yet to materialize however.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The Belarusian political system is completely dominated by the executive branch, through a presidential administration personified by the authoritarian rule of President Lukashenka since 1994. There is virtually no threat to the state's monopoly on the use of force either horizontally or vertically in state power structures. Belarus has the largest number of police per capita in the former Soviet Union, and the security agency has kept the name KGB.

The independence and sovereignty of Belarus is generally accepted by the populace. The state-sanctioned patriotic ideology the regime seeks to impose is contested by some opponents of Lukashenka as detrimental to nation-building. Lukashenka has been accused of surrendering too much sovereignty to Moscow, for example through Eurasian integration projects. Since Russia's intervention in Ukraine after the fall of Yanukovich, support in Belarus for unification with Russia in a hypothetical referendum had declined to 24% by December 2014 according to independent polling by the Independent Institute of Socio-Economic and Political Studies (IISEPS). There has been a modest trend toward increased Belarusification by the authorities in recent years. In July 2014, Lukashenka gave his Independence Day address in Belarusian rather than Russian for the first time in over a decade, perhaps in reaction to Russia's actions in Ukraine earlier in the year.

The constitution formally grants equal rights to all citizens. Under an authoritarian system such as in Belarus, however, the government retains the power to discriminate against and oppress certain minorities, social groups and even individuals, if they are not in accord with state policy, when it sees fit. Various minorities in Belarus, including ethnic Poles, Protestant religious groups and the LGBT community, have seen their constitutionally guaranteed rights and freedoms abused. While the official state languages are Belarusian and Russian, some groups who speak Belarusian can

Question
Score

Monopoly on the
use of force
10

State identity
8

potentially face political and social discrimination if they are viewed as opponents of the government.

Belarus is a multi-confessional society, however, a 2009 Gallup survey suggested that the Belarusian people were some of the least religious in the world. President Lukashenka has described himself as an “orthodox atheist.” The constitution guarantees religious freedom, but this is not always enforced in practice. The Belarusian Orthodox Church (which is a part of the Russian Orthodox Church) receives preferential treatment and financial contributions from the government. This is to satisfy Lukashenka’s need to have, when necessary, a “moral pillar” for his rule. This did not, however, give him a say in choosing the new Metropolitan of Minsk in 2013, which was decided solely by Moscow. The new Metropolitan announced in December 2014 that he would seek self-governing status for the Belarusian Orthodox Church, limiting Russia’s influence.

No interference of religious dogmas
9

Most religious leaders from the main faiths in Belarus try to build a working relationship with the state, and they avoid interfering in the decision-making process and influencing public opinion. An attempt to hold a national pro-life march in September 2013 was banned. Relations with the second largest denomination, the Roman Catholic Church, were harmed by the arrest of a priest, Uladzislau Lazar, in 2013. He was later released but remains under investigation for espionage. Fast-growing Protestant groups continue to face harassment.

As an authoritarian regime, the Belarusian government is able to use the administration as an effective device to impose its authority throughout the national territory in a centrally dominated way. Democratic elements granted by the constitution have been abolished or weakened by the government’s centralism. Genuine local self-government is almost completely absent in Belarus. Regional administrations are merely representatives of the central authorities at a local level. Local officials have extensive responsibilities in carrying out central government programs, and on paper at least enjoy a high degree of fiscal decentralization. This does not come with any real political or administrative power however. Inefficiencies and imbalances have recently been acknowledged by the authorities in the education and health sectors, but attempts at their so-called optimization have been a top-down affair driven by the center with limited success.

Basic administration
7

2 | Political Participation

Elections are regularly held in Belarus, but they are not designed to be a truly democratic exercise. They are instruments used by the regime to legitimate itself symbolically, and all elections held under Lukashenka's rule have been judged by OSCE/ODIHR observers to be nondemocratic to varying degrees. This includes the most recent national elections, those for parliament in September 2012. The regime presents a façade of public choice and competition, but results are a forgone conclusion in favor of the authorities. This practice was repeated at the local elections held in March 2014, with only one candidate standing in most seats.

Free and fair elections

2

A major issue remains the formation of electoral commissions, which are responsible for vote counting and tabulation. Opposition representatives are completely excluded from their composition. International election observers are highly critical of the procedures for counting ballots and the transparency of the process. State media emphasizes the smooth running of the election process, rather than providing a forum for candidates or campaign issues. Local authorities encourage or enforce early voting by state workers and students during the five days polling stations are open before election day. This period maximizes the potential for manipulation and falsification. There is also no efficient mechanism through which to make complaints during the election campaign, and no way to appeal the results to the Supreme Court.

Political opposition in Belarus is significantly marginalized and has been effectively excluded from the political process for many years. It also lacks ideas and approaches to strengthen its links with the electorate against the background of an extremely unfavorable political environment. Much of the focus of the opposition in the period covered by this report has been on preparations for the forthcoming presidential elections in 2015. At the time of writing, rival opposition alliances had failed to reach agreement on strategies for that election or the selection of a single opposition candidate to stand against Lukashenka.

Since the amendments to the constitution in 1996, political power and decision making have been consolidated in the hands of the presidential administration, dominated by Lukashenka himself. Senior representatives of the presidential administration appear as politicians in public, even though they are unelected. All political bodies are dependent on the presidential executive, including the national parliament, which does not play a genuine independent political role. These bodies lack pluralism, independence and transparency, and have little influence on central decisions. Lukashenka has described the executive, legislature and judiciary as branches on the tree of the presidency, which can be trimmed as he sees fit. In December 2014 he replaced the prime minister, as well as the heads of the presidential administration and the National Bank all on the same day, without consultation with or approval from any other branches of government or elected officials. The military,

Effective power to govern

2

church, and business sector do not wield significant influence as potential veto players. The state media, especially TV stations, provide an effective means of manipulating, regulating and controlling the process of shaping public opinion and legitimating the executive's decisions. The opposition is totally excluded from all political bodies and has been effectively blocked and isolated from the sphere of shaping political opinion. It exists in a "parallel world" within Belarusian society quite far away from ordinary citizens, relying on a handful of small independent media outlets and the Internet.

Freedom of assembly is theoretically assured by the constitution, but is tolerated only insofar as it does not interfere with the goals of the Lukashenka regime. Granting the right to assemble is liable to arbitrariness and manipulation by governing bodies. Violations of the regulations governing the freedom of assembly are used by the regime to control political space and opinion. In 2011, restrictions on freedom of assembly were tightened through amendments to legislation which required official permission for any kind of public gathering. In 2013 and 2014, the traditional opposition demonstrations to mark Freedom Day in March and the Chernobyl March in April were permitted by the authorities in Minsk. Nevertheless, there was a heavy police presence, and some activists were still detained before and after the gatherings.

Association /
assembly rights
3

Freedom of association is significantly limited by regulations that require the registration of NGOs with the authorities, constraining the environment. Further rules include the obligatory registration of any external funding, and limited access for NGOs to schools, universities and other institutions. Article 193.1 of the Criminal Code criminalizes activities by unregistered initiatives. Several civic and political activists have been imprisoned on the grounds of this article, but in recent years this Article hasn't been used. By refusing to register NGOs, the authorities can effectively criminalize their activities. The regime does not encourage free political participation or self-organization beyond loyal government-oriented NGOs (GONGOs). In 2014, repressions against activists of independent trade unions showed the unwillingness of authorities to have any dialogue even with working class representatives. Groups that are perceived as opposing the regime can face harsh repressions and restrictions.

The state does not encourage dissenting thought or discourse. Public debate does exist, but is controlled and vulnerable to distortion and manipulation by state intervention. Television, radio and the print media are dominated by the state. Independent media exists, but can be hard to access. Non-state periodicals can face difficulties being sold through state-run national distributors. Independent television and radio can usually only be accessed online.

Freedom of
expression
3

At the same time, Belarus is closely entwined with the Russian information sphere. Many Belarusian citizens also turn to the Russian media for information, which can convey its own disinformation and propaganda.

Independent media and journalists are regularly harassed by the authorities. The offices of independent media outlets have been raided by law enforcement officers, journalists detained and publications threatened with closure. The intensity of such repression usually depends on political cycles – increasing during election campaigns and decreasing during attempts to improve relations with the West.

Today, the Internet provides the greatest opportunity for freedom of expression, though this sphere is also coming under increasing pressure, particularly around national elections. In December 2014, a number of independent online news sources and web sites were blocked for covering the emerging financial crisis in the country. Some independent web sites, such as Charter 97 or Belaruspartizan, are not accessible in universities and state institutions.

3 | Rule of Law

The executive has a de facto monopoly on power within the Belarusian political system. The presidential administration sits at the top of a strict, vertically organized power dynamic that encompasses all levels of administration, institutions and political bodies. This enables the authorities to manage, regulate and control the rule of law and official politics.

The National Assembly and its members, have virtually no power to control the executive and it is essentially a “rubber stamp” body. Parliament has almost no control over the state budget, which can be “amended” in the middle of the year by presidential decree. According to the constitution, any bill that impacts the budget must be approved by the president or the government before being voted on. An insignificant portion of lawmaking is carried out in the parliament. The National Center for Legislative Activities (a state think tank responsible for the preparation of bills) is subordinate to the president. The presidential administration has the power to intervene in the activities of other ministries or political bodies.

The country’s administrative structure poses a severe obstacle to the realization of accountability, administrative independence and transparency. Among other issues, the president appoints and dismisses members of the electoral commission, members of the cabinet including the prime minister, and the heads of the Supreme Court, the Constitutional Court and the Supreme Economic Court. He also appoints six out of 12 judges on the Constitutional Court, as well as all other judges in the country. In addition to exercising power granted under the constitution, Lukashenka bypasses the institutional system and governs directly by means of decrees and directives.

Separation of
powers
2

The judiciary performs on an institutionally well-differentiated level, though it is constituted to serve an authoritarian regime. The president himself appoints and dismisses the majority of all judges, most of whom are directly subordinate to the presidency. The president also appoints six out of 12 Constitutional Court judges, including the chairman, who has the power to recommend the names of the other six candidates to be appointed by the parliament.

Independent
judiciary
3

The judiciary depends heavily on the executive at the regional and national levels. The head of the referring executive administration is entitled to take over a trial, intervene and even influence a verdict if he identifies the case as socially, politically or economically important or as bearing on the interests of the regime. The Constitutional Court is not able to initiate a case without the approval of the president and it has not challenged any act passed by Lukashenka since 1996.

The regime abuses judicial power, wielding it as a tool of punishment and repression against opponents. Members of the democratic opposition and independent media face arbitrary arrest and can receive ill treatment in jail. Soft repression short of imprisonment is also practiced. In November 2014, the well-known human rights activist Elena Tonkacheva was denied a residence permit in a court decision due to traffic violations. Tonkacheva, a Russian citizen, had been living in Belarus for 30 years.

It should be noted that in “non-political” cases it is usually possible to receive a fair trial in Belarus if there is no state body involved in the suit.

Before Lukashenka was elected president of Belarus in 1994, he was the chairman of the anti-corruption committee in the country’s parliament. The promise to fight corruption was at the heart of his successful election campaign. Fighting corruption, including the abuse of position by low-level officeholders, remains a superficial part of the official political agenda and state propaganda. It has emerged again as a prominent element in Lukashenka’s political campaign on the eve of the 2015 elections, with a public crackdown on officials and the introduction of a new draft anti-corruption law in summer 2014.

Prosecution of
office abuse
4

In reality, the abuse of position is to a certain extent tolerated by the regime as part of policy. Compromising material or “kompromat” is collected, to be deployed when it is in the interest of Lukashenka and his closest allies. When it comes to internal conflicts with officeholders, the regime has an effective instrument to replace or indict “unwanted elements” by instigating corruption charges against them. Independent corruption investigations are not encouraged, and are perceived as a political attack against the regime.

The constant defiance and violation of fundamental freedoms and human rights, along with the lack of pluralist democratic norms, is a consistent theme in the history of the Lukashenka regime. Belarus is the only European country that still allows the death penalty, with an average two executions per year over the last decade. While some basic human rights are respected, civil and political rights are heavily curtailed. It is an unwritten rule of the Belarusian regime that anyone can live happily in Belarus as long as he or she does not become involved in unsanctioned political or civic activity.

Civil rights
3

Discrimination is not formally enshrined in legislation. Nevertheless, various minorities in Belarus, including ethnic Poles, Protestant religious groups and the LGBT community, have seen their constitutionally guaranteed rights and freedoms abused at times. The groups that are most discriminated against by society are usually people with disabilities and sexual minorities.

The ferocity of the violations comes in waves reflecting the political climate. Most of those arrested in the crackdown following the December 2010 presidential elections have since been released. However, this is mainly because their sentences expired or they were made to beg for clemency from Lukashenka, rather than the recognition of any shortcomings in their conviction. A former presidential candidate from 2010, Mikola Statkevich, remains in jail at the time of writing, as do several other political prisoners. The Belarusian authorities did unexpectedly release one of its most prominent political prisoners, the human rights activist Ales Bialiatski, in June 2014. Such actions are usually interpreted as an attempt at improving relations with the West, with the hope that freeing prisoners will earn concessions.

4 | Stability of Democratic Institutions

The Lukashenka regime tries to evoke the image of a state governed by democratic institutions and rules, including a constitution, elected legislature, council of ministers and constitutional court. In practice, formally existing democratic institutions and procedures are to all intents and purposes a façade. The whole system is crucially influenced and dominated by Lukashenka himself and the groups around him, principally the presidential administration, which he often manages through a process of divide and rule, carefully balancing different interests which range from hard-liners to moderate economic liberalizers.

Performance of
democratic
institutions
2

In December 2014, a wide-ranging government reshuffle was initiated by Lukashenka, with no reference to purported democratic institutions or the democratic will of voters. Andrei Kabiakou, a close associate of Lukashenka since his first election as president in 1994, was made prime minister. He replaced the prime minister of four years, Mikhail Miasnikovich, who was moved to chair the upper chamber of parliament, despite not actually holding a seat there. Meanwhile,

Aliaksandr Kosinets was named head of the all-important presidential administration. Three regional governors were changed on the same day. During Lukashenka's fourth term, the regime has shown no genuine intention to make any changes based on the principles of democratization, which does not serve the self-interest of the incumbent rulers.

From a formal perspective, the authoritarian system has retained "democratic institutions," but has perverted their function according to the needs of the regime through circumvention, subordination and commandeering. Influential actors and interest groups within the regime dominate these institutions and bodies. These include the elites in the military, law enforcement agencies and the secret services, who in turn are kept in check by Lukashenka through a policy of divide and rule. A state-sanctioned civil society has been created through pro-regime public associations that do not seriously challenge the authorities. The democratic opposition, which suffers from structural shortcomings, has no impact on or influence over state institutions, which are often condemned as illegitimate. The civic and political opposition has to act in a dangerous and meaningless "democratic ghetto," tolerated by the regime but constantly monitored, repressed and attacked by the authorities and the state's quite effective propaganda. The main focus of the political opposition is the struggle against Lukashenka.

Commitment to
democratic
institutions

2

5 | Political and Social Integration

The political party system in Belarus is highly fragmented and unstable. The number of parties multiplies, but they remain small in size, often little more than a leadership team in Minsk. Political parties are usually among the least trusted institutions in the eyes of the broader society, with little credibility. Many parties lack stable social roots or effective regional structures.

Party system

3

The spectrum can be divided into pro-government and anti-Lukashenka parties. At the 2012 parliamentary elections the former were represented by the Agrarian Party, the Communist Party of Belarus, the Liberal Democratic Party, the Republican Party of Labor and Justice, and the Socialist-Sporting Party. However, between them they won only five seats in parliament, their main role being to provide the semblance of competition and supply dependable members for election commissions. Of the loyal, pro-government, "independent" candidates who filled the rest of the seats, two thirds were members of the pro-Lukashenka public association Belaya Rus. The president shows little interest in transforming Belaya Rus from a public association into a dominant pro-Lukashenka party of power, despite persistent speculation since its founding in 2007. The procedure to do so, however, was simplified in 2014 as new provisions came into force which would allow a public association like Belaya Rus to be converted into a political party.

Two of the main parties within the opposition spectrum are the liberal, free-market United Civic Party (UCP), and the national democrat Belarusian Popular Front (BPF). On the left of the political spectrum are the Belarusian Left Party “Fair World” and Belarusian Social Democratic Party “Hramada.” The social democratic movement is very divided, with a number of other rival unregistered parties. Another unregistered party is the Belarusian Movement which split from the BPF in 2011. One increasingly prominent player is Belarusian Christian Democracy, which has had its attempts to officially register as a political party refused on a number of occasions. All opposition parties exist in a very difficult environment, harassed by state security forces and state propaganda. None have been represented in parliament since 2004.

Generally, it is difficult to assess the real influence or social basis of political parties because of the lack of transparency in vote counting during elections and the limited information provided by the parties themselves.

One characteristic of the Belarusian political landscape is the double identity many political initiatives have. On the one hand, they portray themselves as civil society organizations, while on the other hand, they act like political parties (with activists, a political agenda, candidates at elections, etc.) The most prominent examples of these types of organizations are the Movement for Freedom and the Tell the Truth campaign. Another phenomenon of the Belarusian political opposition is regular pronouncements about creating political alliances and coalitions to coordinate actions during elections. In reality, this rarely amounts to much and coordination is still far from optimal. The Coalition of the Six formed before the 2012 parliamentary elections has since disbanded. Two new groupings, Talaka and Popular Referendum now cover most of the opposition entities. An announcement in December 2014 to hold a Congress of Democratic Forces to choose a unified opposition candidate for both coalitions to stand against Lukashenka in 2015 almost immediately descended into disagreement, and consensus is now unlikely to be reached.

There is a high risk of polarization and underrepresentation of certain interests due to the regime’s dominance. Pro-government interest groups still concentrate on a “social dialogue” model reminiscent of the Soviet era, supporting the idea that the state apparatus serves its people. Others are more interested in economic and cultural matters. Policy dialogue by state actors with representatives of independent interest groups is almost impossible due to an unwillingness of the state authorities to recognize any genuinely independent actors as potential partners.

Any initiatives run by political groups typically focus on human rights or freedom issues, or on specific economic interests. A growing number deal with very specific issues of self-organization, the environment, culture and history, eco-tourism or regional projects. Belarusian language projects, in particular, came to the fore in 2014. The average citizen in Belarus avoids any affiliation with politically oriented

Interest groups

4

activities, due to fear of losing their job or other forms of repression. They restrict their involvement to charities, cultural issues or urban development.

Many civil society initiatives experience significant difficulties in reaching people in person and have to concentrate their activities on online formats. At the same time, many NGOs in Belarus that are not directly connected with policy or politics do have room to carry out their activities and make important contributions in charity, social development and other areas. At the local level (small towns and villages), independent civil society organizations hardly exist.

During the review period, attempts by interest groups such as the Assembly of Pro-Democratic NGOs, Belarusian Association of Journalists and Public Bologna Committee to have their voices heard with regard to new bills affecting non-governmental organizations, mass media and education met with little success. The National Platform of the Eastern Partnership Civil Society Forum resisted the intensive efforts of the authorities to establish a pro-government “civil society vertical” in late 2010. However, more recently the National Platform has turned in on itself as it faced increased dissention and competition within its ranks, hampering any ability to interact with local and national authorities or serve as an effective interlocutor for the EU.

Most independent interest groups are unable to work efficiently in the country’s political environment. High-profile civic initiatives are sometimes accused of serving more as platforms for the political ambitions of their leaders rather than as true grassroots movements, for instance Aliaksandr Milinkievich with the Movement For Freedom and Uladzimir Niakliaeu with Tell the Truth.

There is no reliable survey data available on the population’s general approval of democracy. One of the most notable features of the December 2010 protests in Minsk was that people mainly demonstrated against the undemocratic election process, rather than in support of any particular candidate. Since then independent polling by IISEPS saw a dramatic decline in public support for Lukashenka, reaching a historic low of 20.5% in September 2011; it recovered, however, to 40% by December 2014. This decline has not been reflected in a matching increase in support for opposition figures, so it is very difficult to say anything definitive on the growth of support for democracy during this period. Due to their high dependency on the state, people mostly have to hide their political and ideological sympathies to avoid problems. At the same time, a tradition of sincere kitchen talks within one’s closest circle, reminiscent of the Soviet era, exists in Belarusian homes.

The recent developments in Ukraine have led Belarusians to focus much more on security than democracy, giving Lukashenka a promising political advantage in the 2015 presidential election.

Approval of
democracy
n/a

Democratic bodies have recourse only to weak social capital in Belarus. Citizens typically know very little about civil society organizations or political parties. Self-organized civic groups can be characterized as a) being in favor of democratic ideas and human rights, b) oriented toward non-political but socially important activities and changes (education, culture, environment), c) offering pure humanitarian aid and social assistance (often in support of victims of the Chernobyl disaster or other charities) or d) providing social support for the regime. The Law on Public Associations bans foreign assistance for NGOs supporting any activities related to elections, referendums or meetings which could alter the present constitutional regime. Amendments to the law in 2011 prohibited NGOs from holding funds in banks on foreign territory, and receiving foreign grants or donations was made a criminal offense under certain circumstances. In several important cases, NGOs have been shut down for technical or arbitrary reasons.

Social capital
4

There are more than 2,500 officially registered NGOs in Belarus, although a significant number of these are likely to be moribund. According to international estimates, there are several hundred unregistered NGOs that work either underground or on the premises of registered groups. Civic organizations are forced to operate within an area of conflict, caught between the population on one side and pressure from the regime on the other. Many have to rely on foreign donors for their survival, exposing them to attacks from the regime and criticism of lack of focus on the domestic needs of the public.

There is a low level of trust in Belarusian society. Many people do not recognize the state as representative of their interests, but at the same time they do not trust other institutions, such as the church, NGOs, trade unions or political parties, to represent their interests.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Compared to other post-Soviet republics, excluding the Baltic states, Belarus appears to have a relatively high level of socioeconomic development. The Human Development Index ranked Belarus in 53rd place worldwide in 2013, the highest among CIS countries and higher than two EU member states, Romania and Bulgaria.

Socioeconomic
barriers
7

According to the World Bank, Belarus has the lowest poverty rate within the Commonwealth of Independent States (CIS) and one of the lowest Gini coefficients in the world. The 2011 economic crisis which swept Belarus actually narrowed inequality as the relatively rich were hit hard by the crisis. A wide societal distribution

in GDP has been achieved at the cost of highly regulated labor and pricing policies. Wage-levelling also means that the most skilled workers and specialists are increasingly looking for employment abroad, where they can earn higher salaries.

There is no structural economic disenfranchisement for Belarus' religious and ethnic minorities. The relatively undeveloped state of economic reform means that the social and economic spheres have been defined by political means and mechanisms.

Belarus is the best performer in the CIS on the Gender Inequality Index. At the same time, women and people with disabilities can still see limits in their opportunities to participate in economic life or reach senior positions. The ideological background for this form of soft discrimination is often taken from the Soviet past.

Economic indicators		2005	2010	2013	2014
GDP	\$ M	30210.1	55220.9	73097.6	76139.3
GDP growth	%	9.4	7.7	1.1	1.6
Inflation (CPI)	%	10.3	7.7	18.3	18.1
Unemployment	%	6.3	6.1	5.8	-
Foreign direct investment	% of GDP	1.0	2.5	3.1	2.4
Export growth	%	-2.7	7.7	-16.0	-3.6
Import growth	%	-1.1	12.2	-4.2	-7.4
Current account balance	\$ M	458.6	-8280.1	-7567.3	-5094.0
Public debt	% of GDP	8.4	39.5	38.1	40.5
External debt	\$ M	5283.5	28396.9	39108.0	-
Total debt service	\$ M	696.7	1733.5	4634.4	-

Economic indicators		2005	2010	2013	2014
Cash surplus or deficit	% of GDP	0.2	-1.5	-	-
Tax revenue	% of GDP	20.1	16.9	-	-
Government consumption	% of GDP	20.8	16.8	14.0	14.1
Public expnd. on education	% of GDP	5.9	5.4	5.3	-
Public expnd. on health	% of GDP	5.0	4.3	4.0	-
R&D expenditure	% of GDP	0.68	0.69	-	-
Military expenditure	% of GDP	1.5	1.4	1.3	1.3

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

Politically motivated price controls have been an important feature of the regime. The government has a list of “socially important goods” including utility tariffs and essential foodstuffs. Traditionally this has allowed the authorities to hold down some prices before elections or during times of economic difficulty. The weakened economy has meant that this list of goods has been reduced in recent years, although the government reserves the right to impose temporary controls. Price controls can at best only delay, rather than prevent, any price increases. Nevertheless, utility and fuel costs in particular still remain below cost recovery levels.

The Belarusian ruble is not a fully convertible currency and there is a high level of dollarization in the economy. Attempts to secure a fixed exchange rate regime eventually had to be lifted in winter 2014/2015.

Market competition operates within a weak institutional framework. President Lukashenka has pursued a policy of pervasive state involvement in the economy. Private enterprise has usually been discouraged by the authorities, although those with close ties to the ruling elites often have special dispensations. Small- and medium-sized enterprises are significantly underdeveloped. Privatization is taking place on an ad hoc basis by presidential decree and there are still limits on investment freedom. High-profile announcements of large-scale privatization initiatives frequently either fail to materialize or do not attract investor interest. Any access to the market or freedom to operate is ultimately granted or withdrawn at the behest of the authorities, regardless of any formal rules or regulations.

Market-based
competition
4

By its very nature, the size of the informal economy is difficult to measure and estimates for its share of Belarusian GDP vary wildly. Nevertheless, as many as a quarter of the population do some work in the shadow economy and this is only likely to increase in any economic downturn which may be ahead.

The formation of monopolies and oligopolies is regulated by law. The “Law on Counteraction to Monopolistic Activity and Competition Development” is the basis for the prevention, restriction and suppression of monopolistic activity and unfair competition. However, so far there is no independent anti-monopoly authority in Belarus, but only a special division in the Ministry of Economy. Accordingly, action on issues such as competition-restrictive arrangements, concerted actions or merger controls have proved very limited. Moreover, as state actors have shown little interest in privatization, the state is in effect the biggest monopolist blocking the progress of the free market, competition and commercial initiatives.

Anti-monopoly
policy
5

Russia remains the country’s leading trade partner. Trade with the West is sporadically increasing in spite of targeted economic sanctions and political opprobrium. Relations with Russia remain vital in the sphere of energy, with Belarus almost completely dependent on Russia for supplies of oil and gas. The Belarusian economy has traditionally relied on subsidized energy imports from Russia for much of its success. The vast majority of Belarus’ exports to the EU are in the form of oil products refined in Belarus using cheap Russian imports. In 2007, the EU withdrew its trade preferences to Belarus under the Generalised Scheme of Preferences. This would be reversed if Belarus improved trade union rights in the country.

Liberalization of
foreign trade
6

After protracted negotiations in summer 2011, a new Common External Tariff was adopted for the Customs Union of Belarus, Kazakhstan and Russia. While the ability of Belarusian goods to access the Russian and Kazakh markets became easier, Belarusian companies also face more competition on the domestic market. A system of authorized “special importers” with a monopoly on the import of certain lucrative commodities such as alcohol and tobacco was preserved, usually for business interests with close ties to the ruling elites. Internal borders within the Customs Union were officially eliminated, but in practice have been re-imposed at times. In January 2015, the Eurasian Economic Union (EEU), consisting of Russia, Belarus, Kazakhstan and Armenia, was launched. Lukashenka has made it clear that his overriding interest in the project is making progress on a joint energy market to ensure continued supplies of cheap oil and gas.

Belarus is not a member of the WTO. In August 2012, Russia joined the WTO, which had an impact on its partners in the Customs Union. Belarus is expected to open its market to imports from WTO member states on the same terms that Russia agreed to with its accession to the body, but WTO member states will not have to lower their customs rates on goods originating from Belarus in return. This trade liberalization benefits Belarusian consumers but threatens Belarusian producers. Despite the

incentive, Belarus now has to pursue its own application to join the WTO more vigorously. There has been limited progress on the issue of subsidies to state-owned enterprises and there is no prospective accession date on the horizon.

In spite of the rhetoric of Eurasian economic cooperation and integration, trade conflicts with Russia persist. These have included a string of battles in the so-called milk and meat wars since 2009. The decision by Russia to impose an import ban on certain Western goods in the food sector worked initially in the favor of Belarus, which could fill the gap with its own produce (and through relabeled re-export). However, accusations by Moscow that Belarus was supplying prohibited goods to Russia via its territory resulted in a temporary ban on the import of meat and other foodstuffs from Belarus and the re-imposition of some custom's controls on the eve of the launch of the EEU.

Belarus is one of the countries that is most reliant on imports in the region. New regulations introduced in 2014 required retailers to increase the share of domestic products on their shelves in an attempt to reduce imports and encourage consumers to buy Belarusian goods.

The Belarusian banking system is still largely controlled and dominated by the state, with Belarusian state banks holding a 65% market share. In addition, Russian state banks control 25%. The state uses various measures to control the private banking sector, which plays only a minor economic role. Foreign investors are discouraged by the non-competitive banking sector. The National Bank endeavors to implement the Basel Core Principles for Effective Banking Supervision, there are concerns, however, about state interference and politically motivated pressure which can compromise the effectiveness of banking supervision.

State banks grant loans as the government demands, reducing the banking system's transparency, liquidity and efficiency. The ratio of bank capital and reserves to total assets in 2013 was 14.3%. Loss-making state-owned companies, for example, receive huge loans from state-owned banks. Loans at below-market interest rates can also be directed to businesses with ties to political elites. Bank nonperforming loans account for 4.7% of total gross loans in Belarus and are expected to increase after the latest economic crisis. Decisions about loans are typically made according to political rather than economic considerations.

Banking system

2

8 | Currency and Price Stability

Controlling inflation is a component of the economic system in principle, but this goal is institutionally and politically subordinate to President Lukashenka's concept of "market socialism." Inflation has traditionally been among the highest in the CIS, but following the 2011 economic crisis in Belarus, it soared to 59.2% in 2012, making it one of the highest rates in the world according to the World Bank. Significant attempts have been made to reduce inflation since then, which fell to 18.1% in 2014. However, it is expected to spike again in 2015 as the country entered another inflation-devaluation spiral at the beginning of the year and citizens flocked to buy U.S. dollars and euros. The intentions of the National Bank are often unclear and are constrained by the political pronouncements of the president.

Anti-inflation /
forex policy

3

The Belarusian ruble is not a fully convertible currency, and there is a high level of dollarization in the economy. Attempts to secure a fixed exchange rate regime eventually had to be lifted in winter 2014/2015. In 2013, the Belarusian ruble had depreciated 11% against the U.S. dollar and was on course for a similar rate of decline in 2014. The crash of the Russian ruble in December 2014, however, led to measures by the National Bank in Belarus to manage a 30% devaluation of the Belarusian ruble against the U.S. dollar over the following weeks. By the end of January the rate was 15,400 Belarusian rubles to one U.S. dollar, when one year earlier the rate had been 9,640. By mid-February 2015, the U.S. dollar rate stabilized at about 15,000.

The macroeconomic situation deteriorated sharply at the end of the period covered by this report. After the 2011 financial crisis, the government did not undertake any major structural reforms to address the underlying problems in the system. Instead, it relied on ad hoc measures and short-term external support to finance external imbalances. These included negotiating loans or energy subsidies from Russia as well as schemes to bypass paying duties to Moscow on oil products, refined in Belarus using cheap Russian oil and exported to the West, by reclassifying them as solvents, lubricants or bitumen. The widening current account deficit was approaching \$8 billion or 10% of GDP in 2013. External debt ballooned to nearly \$40 billion by 2013, a ten-fold increase in a decade.

Macrostability

3

The national currency steadily depreciated against foreign currencies during 2013 and 2014, with constant expectations of devaluation similar to the one seen in 2011. That crisis was a result of politically motivated salary and pension increases as well as directed lending to businesses in the run-up to the presidential elections. It was becoming clear that promises of an average monthly salary of \$1,000 by the 2015 elections were unlikely to be attained. This time the trigger for devaluation in the winter of 2014/2015 was an external shock in the form of a contagion from Russia. A full-blown currency crisis with the Russian ruble threatened the Belarusian ruble. An all-out panic was averted by managing the devaluation in stages. A 30%

commission on purchasing hard currency in Belarus was introduced in mid-December and gradually reduced in stages. By mid-January 2015, the Belarusian ruble had been devalued by 30% in a month. Stabilization of the macroeconomic situation in 2015 will be a major challenge. Past experience suggests that the government is likely to focus on short-term direct administrative controls rather than developing a long-term reform policy.

9 | Private Property

Belarus has become one of the top-10 reformers worldwide with respect to property registration. The country has created a one-stop shop for property registration, introduced a broad administrative simplification program with strict time limits for the registration process, and computerized its records. The time required to register property in Belarus was down to just four days by 2014, well below the global average of 43.

In spite of this improvement, private property is not always fully protected by the legal system in reality. On occasion companies and organizations have found that in spite of signing leases on land and property, they can still be seized by state bodies for their own use. Property rights are comparatively well protected until they touch on the interests of state officials. During the 2013 “potash war” between Belarus and Russia, the Belarusian authorities threatened to seize property owned by the Russian company Uralkali in Belarus and they detained the company’s CEO when he visited Minsk. It is almost impossible to win a case on property rights if the opposing party is the state.

On paper at least, it only takes nine days to start a business in Belarus. By 2014, Belarus had risen to 57th place in the World Bank’s Ease of Doing Business Report and the government’s stated goal is to enter the top 30. In August 2014, the Development Bank of Belarus announced a major lending project to stimulate the growth of small- and medium-sized enterprises. Generally, however, private companies are still permitted largely as exclusive enclaves in an economic system dominated by the state. Officially the private sector accounts for 30% of GDP, but the reality is that in many of those private companies the state still owns the majority of the shares.

There has been limited progress on serious large-scale privatization. An ambitious action plan was adopted in 2013, and like many before it, was not realized in practice. A major transaction was the sale of the government’s stake in VTB Bank (Belarus) to a Russian holding company. Privatizing the so-called “family silver”, such as the potash producer Belaruskali, oil refineries or the automotive plant MAZ, would reduce Lukashenka’s central control over the economy and so the authorities resist any final commitment to privatization unless it is completely unavoidable. Even when

Property rights
3

Private enterprise
2

the government has sought to sell stakes in companies, such as the mobile phone operator MTS Belarus, there has been a lack of interest from buyers. Although legislation was passed in 2013 which improved foreign investors' rights, many are still concerned by the precedent of nationalization of two confectionery companies in 2012 and the exclusion of previous foreign investors. Regardless of any formal protection granted to private companies, the state has demonstrated in the past its willingness to act in an arbitrary manner.

Construction finally began in June 2014 on the much-hyped Chinese-Belarusian Industrial Park, but it remains to be seen to what extent promises of concessions for business will lead to the development of high-tech and export-oriented companies.

10 | Welfare Regime

Belarus' highly developed welfare regime is one of the priorities of the Belarusian "social market economy" model, and is highly cost-intensive. This is because the government places priority on social services that are too indiscriminate and closely associated with ideological rather than social goals. Nevertheless, social benefits often do not cover the cost of living. The average level of pension in 2013 and 2014 was just under \$250. Meanwhile the World Bank has highlighted the so-called "leakage" of benefits for services such as housing and public transport to the non-poor households who could afford to pay for it themselves.

A quarter of the population of Belarus are pensioners and life expectancy in 2012 was 72.1 years, higher than in both Russia and Ukraine. There is no system of independent pension funds, as the system is totally state-governed. With an unpredictable pension system that is not linked to contributions and with a declining share of workers to retirees, the whole system faces need for reform.

Free education and health care are guaranteed in the Belarusian constitution. In practice, however, supplementary financial payments are required in these sectors in order to ensure good quality service.

Societal fragmentation remains within tolerable limits. Women make up almost 50% of the labor force, but are underrepresented in the top echelons of business and government, and overrepresented in poorly paid occupations. Poverty is predominantly female in Belarus, but is also felt by families with two or more children and the rural population. Representatives of Belarusian women's organizations have documented the issue of domestic violence, while the incidence of sexual violence both at home and at work has risen substantially.

While women, ethnic or religious groups may not be actively discriminated against in general, the issue of equal opportunities has a specific connotation in closed societies such as Belarus. The spectrum of problems with equality is much broader

Social safety nets
6

Equal opportunity
6

here. Those who are viewed as opponents of the regime can be denied employment or education, or prohibited from taking part openly in social and political life. A spate of dismissals of lecturers at Hrodna University in 2014 serve as an example of sanctions that can be taken against unwelcome professionals.

Social groups that are more discriminated against than women and ethnic groups are people with disabilities and sexual minorities. The dominant mentality still does not accept them as equal members of society, with a more charitable approach toward people with disabilities and a more aggressive approach to members of the LGBT community. President Lukashenka is prone to make public, disparaging, homophobic comments.

11 | Economic Performance

Belarus' economic performance during the review period was weak, never truly recovering from the 2011 economic crisis and plunging into a new one in the winter of 2014/2015. The stabilization of the economy in 2012 was based on short-term measures, not long overdue structural reforms. The hopes of a stronger recovery which may have been emerging in 2014 were dashed by the severe economic downturn in neighboring Russia, on which the Belarusian economy is heavily dependent.

According to the World Bank, real GDP growth fell from 1.7% in 2012 to 0.9% in 2013, and forecasts for further stagnation in 2014 are expected to give way to full blown recession in 2015. Inflation remained high during the review period, between 15% and 20%, and is only expected to increase in 2015. Tax revenue continued the decline it has followed since 2008, down to 15.1% of GDP by 2012. Inflows from foreign direct investment (FDI) remain low, at just 2 to 3% of GDP, and the majority of that came from Russia. The current account deficit had ballooned to \$7.7 billion by 2013, or 10% of GDP. The total number of registered unemployed varies between 0.6% and 1.5%. However, very few unemployed actually register, so official statistics are unrealistically optimistic. The true rate is estimated at between 5% and 10%, and is expected to rise in 2015 as Belarus enters an economic downturn.

Traditionally Belarus has relied on Russia to help boost the economy, through loans and discounts on oil and gas prices. In 2014, external support from Russia helped finance some of the imbalances in the Belarusian economy. Russia, however, faces her own economic crisis in 2015 which is likely to have a negative impact on loans and subsidies to Belarus.

Output strength
4

12 | Sustainability

Belarus has occasionally attempted to reconcile economic growth with environmental concerns, particularly in the areas of energy supply and utilization. The government has made some limited attempt to reflect these concerns in its institutions. However, the environment remains heavily threatened by nuclear and chemical pollution associated with industrial sources.

Environmental
policy
6

The 1986 reactor accident in Chernobyl, in which 70% of the radioactive fallout hit Belarus, continues to have an effect. The lack of governmental accountability and transparency makes evaluation of the lasting ecological damage difficult. In this context, the decision to build a nuclear power plant in order to decrease energy dependency on Russia has been contentious. In 2011 Belarus signed an agreement with a Russian corporation for the construction of two reactors near the Lithuanian border by 2020.

Belarus has signed the Aarhus convention on free access to ecologically important information. Nevertheless, individuals and environmental organizations face significant difficulty in claiming these rights. Initiatives to protect the environment, including anti-nuclear campaigns, are some of the most active spheres in Belarusian civil society. The Belarusian state, however, actively demonstrates that economic interests are more important than environmental ones.

Government education expenditure usually represents about 5% of GDP, in line with average global expenditure. Enrollment in tertiary education peaked at over 90% in 2012. The figures, however, have shown signs of decline since then. Entry standards can be very low and the specialists produced often lack relevant skills. A little over half of students study part-time. Belarusian tertiary education is one of the longest in the world, with five years at the bachelor's level and two years at the master's level.

Education policy /
R&D
5

The Ministry of Education finally began preparations in 2011 for accession to the Bologna Process. In 2012, however, the Bologna Follow-Up Group barred the country from the process for three years because of failings in academic freedom, institutional autonomy and student participation. Belarus is the only European country still not a member.

The public educational sector still suffers from the country's self-imposed international isolation, lacking the ability to engage in international exchange. The Lukashenka regime has progressively closed Western-oriented institutions for basic and advanced education. For example, the European Humanities University, previously based in Minsk, now operates in Vilnius.

Education is one of the sectors where sporadic reforms have been implemented since independence. Changes initiated in 2009 aimed at streamlining education in such a way as to solely serve the economy. As a result, the quality of secondary and tertiary education is falling. Since 2013, even the authorities have started to admit that resources are not being used effectively. The number of pupils successfully completing secondary education is declining. Many young people with high potential prefer to leave the country and study in universities in neighboring countries, such as Russia, Poland, Lithuania and Ukraine.

The educational system is also subject to close oversight, and is seen as one of the most important propaganda venues. Students have to take a mandatory course in “Belarusian ideology.” Non-state actors in education (independent universities, educational NGOs, business education) are comparatively small in number, and are not influential. The practice of politically-motivated expulsions after almost every electoral campaign is widespread and heads of the universities have been placed on the EU’s blacklist of Belarusian officials.

Government expenditure on R&D is well below average and one of the lowest in Europe, at just 0.7% of GDP. Research institutions are losing specialists due to low salaries and limited professional freedom.

Transformation Management

I. Level of Difficulty

According to the World Bank, Belarus is an upper middle-income country. Poverty is low and disparities in income are narrow. Among the country's other advantages are relative ethnic and religious homogeneity. The UNDP Education Index shows the country's labor force to be relatively well-educated, but this is an ambiguous legacy of the Soviet system. There are concerns that quality of education is being sacrificed for quantity of enrollment.

Structural
constraints

6

Demographically, the country has seen a steady decline in population, with a decrease of half a million people between the 1999 and 2009 national censuses. This is further exacerbated by increased emigration since the 2011 economic crisis in Belarus.

As one of Europe's few landlocked states, Belarus also has limited access to international trade routes. It is not prone to major natural disasters. UNAIDS estimates the number of people living with HIV/AIDS by 2013 to be 25,000. The prevalence rate in adults between 15 and 49 is 0.5%, which is quite high by European standards.

Belarus possesses negligible or at best weakly developed civic traditions. The activities of civil society organizations continue to be seriously restricted by the authorities. Nevertheless, Belarusian civil society is surprisingly active compared to many other post-Soviet societies. Since the late 1990s, the Belarusian Assembly of Democratic NGOs has established a united national coalition of NGOs. A National Platform has been created to engage with the Civil Society Forum of the EU's Eastern Partnership program. However, the state has also been active in creating government-oriented civil society organizations, which are primarily aimed at consolidating Lukashenka's power.

Civil society
traditions

7

Traditionally the general public knows very little about civil society organizations and citizen participation in them is low. However, independent polling by IISEPS in 2014 suggests that public awareness is increasing. The number of respondents who said they were aware of civil society organizations, be they independent or state-run, increased from 25% in 2012 to 52% in 2014. This is not necessarily accompanied by increased trust or involvement in civil society activities however. Participation in

projects focusing on specific local issues are more popular than politically-oriented activities. People prefer to support or participate in particular activities than to support any civil society organizations over the long term.

Belarus has no substantial or dominant ethnic or religious conflicts. Nevertheless, the authorities can restrict, for example, the activities of religious communities, as witnessed with some of the newer Protestant churches operating in the country, which are dismissed by the authorities as sects. The government has created a regime-loyal Belarusian Union of Poles to counter a more independent-minded alternative public association representing the Polish minority. These developments are not so much manifestations of ethnic or religious strife, but rather show the massive level of state intervention in all aspects of society.

Belarusian society remains divided over the legitimacy of Lukashenka as president. There has not yet been a violent radicalization of the opposition and violent incidents at protests are usually initiated by the authorities. The crackdown against protesters in Minsk after the 2010 elections and the bloodshed in Ukraine at the culmination of the Euromaidan protests in early 2014 have tempered any public interest in potential street demonstrations against the Belarusian authorities.

External pressure from Russia to foment internal conflict is not impossible. Tactics employed in Ukraine such as claims to defend the rights of ethnic Russians or Russian-speakers could be employed. Belarus, however, has much less fertile ground for nurturing such cleavages and there is no equivalent of a separatist region such as Crimea which could be exploited. A concerted information campaign by Russia in the Belarusian media space which might stir up tensions in a bid to apply pressure on Lukashenka in the run-up to the 2015 elections cannot be ruled out, as was witnessed in the months leading up to the 2010 poll. A handful of articles critical of linguistic Belarusification and the potential threat to Russian speakers in Belarus have already appeared in the Russian media.

Conflict intensity

3

II. Management Performance

14 | Steering Capability

Question
Score

The political leadership claims to pursue long-term aims, but these are regularly supplanted by short-term interests associated with political bargains and Lukashenka's efforts to consolidate his hold on power. Rather than view government priorities as pro-Western or pro-Russian, pro-market or pro-state control, policies should best be understood as overwhelmingly pro-Lukashenka.

Prioritization
3

The regime is highly dependent on access to Russian energy at preferential prices. Since Russia started to increase its energy tariffs beginning in 2007, using energy as a tool for exerting influence over Belarus, the authorities have resorted to a number of ad hoc stop gap measures. These included rapprochement with the EU from 2008 to 2010; attempts to diversify energy supplies by importing oil from Venezuela and Azerbaijan since 2010; signing a new agreement on oil supplies from Russia in December 2011 with more restrictive caveats and preconditions; economic cooperation with China; and further participation in Moscow's Eurasian integration projects on the understanding of financial rewards.

Hard-liners, particularly those in the law enforcement agencies and security services, tend to support closer ties with Russia while some technocrats support limited modernization and improvement of economic ties with the West. Neither group is a champion of any gradual evolution toward democracy nor does Lukashenka allow either to completely hold the upper hand. In the wake of the 2011 balance of payments crisis and devaluation, pressure for economic change has intensified, but the elites have stuck to short-term stabilization measures over long-term plans for privatization and structural reform. Consequently, Belarus found itself struggling to respond to new economic difficulties in winter 2014/2015, as the economies in neighboring Russia and Ukraine slumped.

Belarus has seen little sustainable reform since 1995, when Lukashenka launched his so-called social market economic model. By pursuing this policy, Lukashenka re-imposed administrative controls over prices and currency exchange rates, and expanded the state's right to intervene in the management of private enterprises.

Implementation
4

During Lukashenka's rule, there has been some significant investment in modernizing big plants important for export industries (for example fertilizers, steel and oil). Beginning in 2007, the government has undertaken some minor reforms, but these have not been significant enough to be termed a breakthrough. This was

underlined during the 2011 economic crisis and the failure to respond to this shock with substantial reforms has seen a new financial crisis emerge at the end of 2014.

The Lukashenka regime's ability to democratize and open the country on its own is highly doubtful. Government reform initiatives are oriented toward short-term benefits with the aim of sustaining power rather than based on a long-term modernization strategy. Irrespective of all these shortcomings, the government has proven surprisingly effective at muddling through in this manner, outliving numerous predictions that it was unsustainable and faced imminent collapse.

Lukashenka is currently the longest serving political leader in Europe and he celebrated his 20th anniversary as president in 2014. Within the confines of his autocratic rule, he has shown formidable learning skills, often adapting his policies to new challenges and situations. The continuity of Lukashenka's rule has come through expediency, pragmatism and opportunism in making changes, even where this would apparently contradict previous strongly-held positions. Heavy criticism of the West has been reduced since 2013 and, following the Ukraine crisis in 2014, Minsk has actively exploited the opportunity to push for a further thaw in relations with the EU and United States.

After Russia's decision to move toward charging market prices for energy delivery, and in the wake of the global financial crisis, some structural reforms were announced, including a privatization program and the reduction of administrative barriers to opening a private business. However, reforms are ad hoc, piecemeal and subject to reversal at any time.

The authorities take advantage of opportunities to consolidate and maintain Lukashenka's grip on power without wholesale reforms. Policy learning from transition and change elsewhere comes in the form of how to avoid pressure to democratize, adapting to avoid a repeat of an Orange Revolution or Euromaidan in Belarus.

15 | Resource Efficiency

Government administrative personnel remain relatively efficient. Nevertheless, the system has perpetual weaknesses such as corruption and a lack of relevant skills or modern human resources. The administrative system has many executors, but suffers from a lack of skilled, professional managers able to solve conflict situations efficiently. Decision-making remains highly centralized. Lukashenka has promised deep cuts to the number of civil servants in the country, with pay rises for those who remain. Meanwhile, there are still concerns about the most competent bureaucrats leaving the country for better-paid jobs in Russia, although the financial crisis there may result in some of them returning to Belarus.

Policy learning
3

Efficient use of
assets
4

The consolidated budget for 2015, made up of national and local budgets, totals \$22 billion. This is highly optimistic based on the current economic climate in the region. Because of the regime's lack of transparency, it is difficult to analyze the revenues and expenses in the state budget or to evaluate the efficiency of resource use. The budget is regularly amended throughout the year, with little scrutiny or public debate. Funds are earmarked for maintaining the status quo rather than planning for wholesale reform. On 1 January 2015 the payments to service the foreign and domestic state debt totaled 5.5% of the revenues of the central state budget.

Terms such as "modernization" and "optimization" were increasingly employed by the authorities during this period, but there has been little discussion of their actual achievements, which are few and far between. A political business cycle has usually meant that salaries and pensions are manipulated in the run-up to major national elections, as witnessed in 2010 and 2012. The scope for repeating this in 2015 has been severely limited by the economic climate in the region.

The Belarusian political system is highly centralized, with the presidential administration sitting at the apex of a so-called power vertical. The council of ministers is in reality subordinate to the unaccountable presidential administration. Subordinate structures are expected to implement commands and there are no genuine horizontal checks or balances between different branches of government.

The dominant "social market economy" model does not allow for conflicting policy priorities, demands high expenditures and neglects the structural reform of the economy. The authorities strive to maintain a social contract with the electorate through public spending on social programs, cheap electricity and petrol, and the preservation of a cycle in which salaries and pensions are increased on the eve of elections to win popular support. The politically motivated manipulation of the economy in the run-up to the 2010 presidential elections had negative consequences in its aftermath with the 2011 economic crisis. The Belarusian economy has been struggling to stabilize and return to strong growth since then, but faced a renewed downturn at the end of this reporting period. Policy priorities are coming under particular strain in 2015, as the political business cycle is now out of synch. Inflation, devaluation, economic difficulties and constraints, and salary and pension increases have come before, rather than after the election. A course of economic modernization is likely to be trumped by the short-term electoral needs of Lukashenka.

Findings on the success of Belarus' anti-corruption efforts are inconclusive, in part due to a lack of transparency. Anti-corruption crackdowns can be expected to make headlines to burnish Lukashenka's reputation in the months leading up to 2015 presidential election and identify scapegoats for the current economic downturn. Although fighting corruption is officially on the government's agenda, in practice Lukashenka often utilizes his anti-corruption campaign merely as a means of eliminating political opposition and keeping a tight control on private enterprise.

Policy
coordination
5

Anti-corruption
policy
3

Various regime opponents as well as members of the regime who have fallen out of favor have been sentenced to multi-year prison terms in the course of anti-corruption trials. Low-level petty corruption which the average Belarusian might face on an everyday basis is perceived to be considerably lower than in neighboring Russia and Ukraine.

There is no access to accurate information on state spending. For instance, it is impossible to quantify the resources delivered to non-budgetary funds. State statistics also distort the true expenditure picture. The public procurement system is not transparent. It consists of allegedly private enterprises through which shadow procurement schemes are implemented, in areas such as oil refining or the arms trade.

16 | Consensus-Building

The consensus on policies and their objectives is enforced from above, with the president at the apex. Members of the government and state administration who forgo expressions of loyalty to the president have little opportunity to influence political decisions. Democracy, pluralism and genuine political competition can only serve as a threat to Lukashenka, and are not encouraged. There is an absence of strong independent voices in politics, business or the regions to promote democratization. The counter-elites in the opposition are effectively marginalized in a “democratic ghetto.”

Major actors are required to support Lukashenka’s “social market economy” path. The priority of the political business cycle is to keep Lukashenka in power, rather than to support the marketization of the Belarusian economy. There is a regular turnover in the personnel who populate the economic and political elites around Lukashenka, as seen in the extensive reshuffle in December 2014. They all remain beholden to the president. Lukashenka has proved adept at balancing different groupings against one another and ensuring that it remains in their own various personal, financial and professional interests to maintain the existing system as it is.

There is no substantial independent political force outside the government. The opposition’s posture is characterized by objection to the government’s policies. The opposition distinguishes itself more by its rejection of Lukashenka than by a common position on substantive questions concerning reform and the path toward democracy and a market economy. The political opposition has shown no signs of agreeing on a common platform for the 2015 presidential elections.

Political and economic actors who might be able to promote reform fail because the president usually blocks reform attempts which could potentially undermine his position, regardless of what may be in the best interests of the country. The government of Prime Minister Miasnikovich, no radical voice for democracy himself,

Consensus on goals
2

Anti-democratic
actors
2

failed in attempts to push through modest economic liberalization and privatization in the face of resistance from the presidential administration. Lukashenka's main goal is and always was to consolidate his power. Reformers have little influence over the president, unless it is viewed as expedient to tolerate reforms as a means to ensure the president is able to prolong his hold on power.

The political leadership downplays cleavages, often dismissing attempts to create political alternatives as influenced by foreign powers. Democratic protests against the fraudulent elections are characterized by Lukashenka as "hooliganism." These events show the regime's readiness to propagate misconceptions of democratic protests as a political tool when the regime comes under pressure. In doing so, protesters are portrayed as not representing the domestic concerns of the population, but rather the agenda of their external backers who want to destabilize the country.

Cleavage /
conflict
management
4

With the outbreak of conflict in neighboring Ukraine in 2014, Lukashenka has been keen to be seen to depolarize potential conflict in Belarusian society, while still asserting distinctiveness from Russia. At various press conferences and in various statements, he likened Belarusians to Russians, but rejected the notion of a single "Russia World", and suggested that if Russian troops were sent into Belarus they would not be sure which side to fight for. Lukashenka has praised the use of Belarusian and has been heard to speak it more himself, while promising that Russian and Belarusian would always be "native languages" in Belarus. He has also criticized Russia for trying to claim a monopoly on representing the Russian language. The cleavages which were exploited in Ukraine are nowhere near as pronounced in Belarus, but nor are they completely absent either.

Overall, the political leadership suppresses and excludes civil society actors from the political process, and this only escalated following the 2010 elections. At the same time, some pro-regime groups simulate and imitate civil society – from youth movements to trade unions. This involves the creation of pro-regime public associations and government organized NGOs which seek to limit the space for genuine independent public associations in civil society. Journalists, religious groups, trade unions and other civil society actors have been the targets of government harassment. Activists are regularly jailed or repressed in other ways to avoid activism. An independent civil society that is not under the direct control of the authorities, even in those areas not engaged in human rights and democracy, is viewed with suspicion.

Civil society
participation
2

It is difficult to separate the identity of either the elites or the population at large from the Russian and Soviet past. For this reason Lukashenka deliberately affirms the continuity of the Soviet heritage, while still acknowledging the country's pre-Soviet and pre-Russian history. Belarusian political elites have not addressed acts of Soviet injustice (such as the Kurapaty massacre) and have not initiated a process of reconciliation.

Reconciliation
4

17 | International Cooperation

In general, there is no long-term direction with respect to the regime's cooperation with the European Union or other international partners. Instead Belarus strives to manage a balancing act between East and West, making minimum concessions for maximum gains. Over recent years the Belarusian government has struck loan agreements with a variety of donors, including the IMF, western lenders, Russia, the Eurasian Development Bank and China. Regardless of any preconditions attached to them, these loans have been earmarked for maintaining the status quo rather than providing a foundation for wholesale modernization or reform. The launch by the EU of a European Dialogue for Modernization with Belarus was generally disregarded by officials in Minsk.

Effective use of
support
4

Located as it is between two regional integration projects, the EU and Russia's Eurasian initiatives, Minsk has sought to play off each side against the other to secure short-term economic and political gains. Lukashenka endeavors to monetize his geopolitical loyalty. Any progress in relations with the EU was rolled back following the outcome of the presidential elections at the end of 2010, demonstrating that any signs of liberalization in Belarus could be both cosmetic and reversible. The EU renewed and extended its visa ban for senior officials and introduced limited economic sanctions, which were still in place during the period covered in this report.

This has underlined Belarus' economic dependence on Russia. Nevertheless, Lukashenka has engaged in political brinkmanship within the Eurasian integration process, hoping that Russia views the embarrassment of losing support for Putin's integration projects from traditionally its closest ally as a good enough reason to continue to prop up the Belarusian economy in spite of the lack of concessions from Minsk.

Belarus' actions are predicated on short-term gains rather than any long-term development plans.

Belarus under Lukashenka has generally been treated as a pariah state by the West. Officials in Europe and the United States have dismissed it as an “outpost of tyranny” and the “last dictatorship in Europe.” Lukashenka lost any goodwill he had built up as a credible political partner for the EU during the thaw in relations between 2008 and 2010 following the brutal crackdown on protesters after the presidential elections in December 2010. The EU remains, however, the second largest trade partner for Belarus, although FDI from the West remains low.

Lukashenka’s profile in the West did actually improve somewhat in 2014, not through any changes on his part but because of developments elsewhere. More civilians died in the violence during Euromaidan in Kyiv under Ukraine’s President Yanukovich than Belarusian citizens killed in the 20 years of Lukashenka’s rule. Unlike Russia, Belarus has not engaged in conflicts in or incorporated territory from neighboring countries. Lukashenka might not be seen as any more credible than he was, but he is probably viewed as less dangerous and threatening compared to others in the region.

Relations with Russia are also fraught and Belarus is still accused of being an unreliable partner. Minsk has continued to resist fulfilling the conditions, attached at the behest of Russia, on loans from the Eurasian Development Bank’s Fund for Stabilization and Development (previously EurAsEC Anti-Crisis Fund). Having closed the loophole which the Belarusian authorities used to effectively smuggle refined oil products out of Belarus under the guise of solvents and lubricants in 2012, to avoid paying export revenues to Moscow, a variation of the scheme re-emerged in 2014 with an unlikely surge in the export of bitumen mixtures. Following the collapse of the export cartel for potash set up by Belaruskali and Russia’s Uralkali, the chief executive of Uralkali was arrested on a visit to Minsk in 2013.

Minsk has not recognized the results of the contentious referendums held in Crimea, Donetsk and Luhansk, and has not joined Russia in solidarity to ban the import of certain Western goods after the West imposed sanctions on Russia.

In general, the relationship between the Belarusian regime and its Western neighbors is fraught with difficulties. The relationship between Poland and Belarus in particular is strained due to the regime’s numerous attacks on the Polish minority in Belarus. Relations are friendlier with Lithuania and Latvia due to close economic ties. During the period of rapprochement between Belarus and the EU in 2008 to 2010, the political leadership in Minsk repeatedly expressed interest in cooperating with individual neighbor states as well as with regional and international organizations. After the 2010 elections and the crackdown on the opposition, cooperation through the Eastern Partnership has been reduced to activities with civil society in Belarus. Since 2013, the authorities in Minsk have been making an effort to normalize relations with the EU. Once again its main interest is to engage in technical and economic cooperation on its own terms, while resisting demands for democratization and liberalization. Brussels remains cautious, based on past experience in dealing with Minsk.

Credibility

2

Regional
cooperation

5

Belarus has continued to participate in Eurasian integration processes and was a founding member of the Eurasian Economic Union (EEU), launched at the beginning of 2015. Lukashenka's support is predicated on economic gains which will help secure his hold on power and he is likely to remain a fair-weather supporter of Eurasian integration. Belarus delayed its ratification of the EEU treaties until finally securing further financial concessions from Moscow. When the Belarusian parliament ratified the treaty establishing the EEU in October 2014, it was with an additional proviso that Belarus would ignore any aspects of the Union it did not approve of. At a press conference in January 2015, Lukashenka stated that Belarus would leave the Union if it was no longer in the country's financial interest to stay a member.

Relations with Russia remain strained. Lukashenka performs a delicate balancing act, supporting the territorial integrity of Ukraine and the post-Yanukovich government, while not explicitly criticizing Russia and still offering traditional condemnations of NATO. Minsk plays host to peace talks between various parties in the ongoing conflict in eastern Ukraine. Belarus did not join Russia in imposing a ban on the import of certain Western goods, and instead took advantage of the opportunity to supply the Russian market with these banned goods through its territory thanks to the Customs Union. The result was a new trade war with Russia over meat products and the return of customs checks at the border. The Russian ambassador to Belarus has made statements suggesting that Lukashenka will not stand for election again in 2015 and the Russian information space has circulated rumors that the president will step down.

Strategic Outlook

The most likely result of the 2015 presidential election is that Lukashenka will have stood for re-election and secured a fifth term as president. The authorities will have resorted to electoral manipulation in order to inflate the turnout and disguise the fact that in all probability many disillusioned and apathetic voters stayed at home. Past experience has shown that, without a credible alternative, socioeconomic insecurity and a decrease in the favorability ratings of Lukashenka in opinion polls do not translate into mass public unrest or increased support for the opposition. The political opposition, which always faces immense pressure from the regime and suffers from its own internal divisions, will have likely been unable to offer that credible alternative. Having secured a fifth term, Lukashenka will face some serious economic decisions, if indeed he has succeeded in postponing them until after the election.

The Belarusian economy will require the major structural reforms that have long been avoided in order to secure macroeconomic stability and future growth. These include budget and tax reforms, transparent privatization, price liberalization, diversification, better targeted social support, and an end to politically motivated salary and pension hikes. Not only have the IMF, World Bank and European bodies been recommending this, but also Russia and regional Eurasian institutions. The regime has avoided this in the past to manipulate the economy for political advantage, but the failure of the political business cycle to bring the expected benefits in 2015 may make it possible for the authorities to justify finally making painful and unpopular reforms with a view toward long-term growth.

Belarus will continue to seek to normalize relations with the West. Minsk may hope to secure sympathy from the EU by portraying Belarus as a buffer against a resurgent Russia and, therefore, deserving of technical and economic support from Brussels, regardless of a lack of progress on democratization. Following Lukashenka's likely election victory in 2015, policymakers and advisors in the West will make the same recommendations they did after the 2010 and 2006 elections: communicate more with the Belarusian people to nurture a domestic audience for reform; encourage the opposition to focus more on grassroots engagement with voters; and work with lower ranks of the administration on achievable goals while still holding the elites accountable for the lack of democracy. This time there may be more success in following through on these recommendation, as it is likely that Minsk will have no choice but to look beyond Russia for support, so Brussels should seize the opportunity. The West should resist the temptation to ignore or overlook Belarus in their understandable focus on Russia and Ukraine.

As economic difficulties in Belarus continue, with or without reforms, Lukashenka is likely to appeal to the public as a patriot and defender of the nation, without antagonizing Russia. The Belarusian authorities will be both unwilling and unable to turn their back on Russia completely. Lukashenka has demonstrated an uncanny knack for overcoming political and economic difficulties through expediency, pragmatism and opportunism; however, a potential fifth term to 2020 could pose the greatest challenge to Lukashenka's presidency yet.