

# BTI 2014 | Belarus Country Report

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This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. 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	0.793	GDP p.c.	\$	15592.3
Pop. growth <sup>1</sup>	% p.a.	-0.1	HDI rank of 187	50	Gini Index		26.5
Life expectancy	years	70.7	UN Education Index	0.866	Poverty <sup>3</sup>	%	0.1
Urban population	%	75.4	Gender inequality <sup>2</sup>	-	Aid per capita	\$	8.8

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

Belarus faced one of the greatest challenges of the Lukashenka presidency with the economic shocks that swept the country in 2011. The government's own policies of politically motivated increases in state salaries and directed lending resulted in a balance of payments crisis, a massive decrease in central bank reserves, a currency crisis as queues formed at banks to change Belarusian rubles into dollars or euros, rampant hyperinflation, a devaluation of the national currency, and a significant drop in real incomes for Belarusian households. Although the government temporarily stabilized the economy somewhat in 2012, it once again demonstrated its reluctance to undertake serious structural reforms, and the underlying problems that precipitated this crisis remain in place.

The harsh crackdown by the authorities on opposition activists, demonstrators, NGOs and independent media in the aftermath of the contested reelection of President Lukashenka for a fourth term, in December 2010, cast a long shadow across this reporting period. A number of high-profile political prisoners still remain in Belarusian jails. The September 2012 parliamentary elections followed a familiar pattern. Some opposition candidates were successful in registering, and members of parliament were duly elected. In reality, there was no genuine competition, and the results did not reflect any real democratic input into the political system. All members of the National Assembly can be relied upon to support the government. The personal popularity ratings for Lukashenka slumped to record lows, and the regime's claim to guarantee socioeconomic stability was severely damaged by the economic crisis. But there were no massive public protests or increases in support for any alternative candidates who might oppose Lukashenka in a future poll.

Any hopes in the West that the thaw in relations with Belarus seen between 2008 and 2010 would inexorably lead to liberalization and democratization were dashed by the events of December 2010. The European Union has reinstated and extended a travel ban on blacklisted Belarusian officials, introduced some limited economic sanctions, reduced cooperation through the Eastern Partnership with the civil society sphere, and become involved in a diplomatic crisis with the

temporary withdrawal from Minsk of all ambassadors representing member states. Meanwhile, an EU position paper calling for a “Dialogue on Modernization for Belarus” fell on deaf ears within the regime.

At the same time, Belarus became more deeply involved in Russia-led Eurasian economic integration projects during this period, seeking to secure cheap oil and gas supplies while still avoiding total dependence on Russia and resisting calls for the privatization of successful Belarusian corporations. China has emerged as a vector for possible future relations, which could balance or provide an alternative to Russia and the West.

## 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 putsch against Soviet leader Mikhail Gorbachev. In the first years of transformation from the Belarusian Soviet Socialist Republic into the Republic of Belarus, some institutional reforms and significant change in the nation’s elite took place, but they were carried out slowly and with numerous mistakes. The living standards of ordinary citizens decreased significantly. 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 standards for democratic balloting set by the Organization for Security and Co-operation in Europe’s Office for Democratic Institutions and Human Rights (OSCE/ODIHR). 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 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 secured a fourth term in elections that were deemed neither free nor fair, Lukashenka's regime renewed a harsh level of repression against opposition activists, civil society and independent media. In response, the West reimposed against the regime sanctions that had been lifted briefly 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. Belarus experienced neither a sweeping economic boom accompanied by economic modernization nor dramatic and uncontrollable economic slumps.

Unlike some successful transition economies, Lukashenka's "socially oriented state" 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, Belarus undertook some economic reforms and improved business conditions for private entrepreneurs. Long-promised major privatization drives are yet to materialize.

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.

Though the independence and sovereignty of Belarus is accepted by the populace, the state-sanctioned patriotic ideology the regime seeks to impose is contested by some as detrimental to nation-building. The constitution formally grants equal rights to all citizens. Under an authoritarian system like Belarus, however, the government retains the power to discriminate against and oppress certain minorities and social groups when it sees fit, that is, if they are not in accord with state policy. While the official state languages are Belarusian and Russian, some groups who speak Belarusian can potentially face political and social discrimination if they are viewed as opponents of the government.

Various minorities in Belarus (ethnic, religious, sexual, etc.) often face the abuse of their constitutionally guaranteed rights and freedoms. The Polish minority and its institutions can become targets of governmental harassment. This has increased since Warsaw's introduction of a Polish Ethnicity Card in 2007 for citizens in the former Soviet Union. This led to accusations by the authorities that ethnic Poles were acting as a fifth column in Belarus, and barriers were raised to the Polish minority in areas such as organizing their own education.

Though Belarus is a multi-faith society, 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

Question  
Score

Monopoly on the  
use of force  
10

State identity  
8

No interference of  
religious dogmas  
9

(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 a "moral pillar" for his rule when necessary. Central authorities provide selective pressure to smaller religious groups that do not belong to the Belarusian Orthodox Church (some Protestant sects, Uniates, the autocephalous Orthodox, Krishna, etc.). Fast-growing Protestant groups face harassment, for example the attempts to evict the New Life Church from its prayer house in 2012, which attracted international criticism. In 2009, Lukashenka visited Pope Benedict XVI in Rome and, in 2012, he reiterated his desire for a papal visit to Belarus, where the Roman Catholic Church is the second largest faith. Most religious leaders from the main faiths in Belarus try to build working relations with the state, and they avoid interfering in the decision-making process and influencing public-opinion. Exceptions crop up in some unique cases, for example the death penalty verdict against the alleged perpetrators of the bombing of the Minsk metro in April 2011.

As an authoritarian regime, the Belarusian government is able to use the administration as a 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 to all intents and purposes representatives of the central authorities. Local officials have extensive responsibilities in carrying out central government programs, and, on paper at least, enjoy a high degree of fiscal decentralization. But this does not come with any real political or administrative power. The governmental system has also expanded beyond the administration into the state-controlled sector. For example, in many cases, school headmasters chair the local election commissions, which are controlled by the government and are often involved in falsification.

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 parliamentary elections in September 2012. The government presents a façade of public choice and competition, but results are a forgone conclusion in favor of the authorities. The 2012 elections did not see the same brutal crackdown that followed the 2010 presidential poll, but nor were there large public protests. This can be explained by the fact that, due to the high centralization of power and the absence of local self-government, presidential elections are seen as more important by the public. Political crises between government and opposition after presidential elections have become more and more severe with each election.

Free and fair  
elections  
2

There were some minor improvements to the electoral code in the run-up to the 2012 elections, which nominally increased access to state media during campaigning; allowed candidates to legally use their own funding for campaigning, in addition to financing from the state budget; and made it easier for candidates from political parties to register. The number of opposition candidates who successfully registered almost doubled compared to 2008. Nevertheless, registration procedures, the conduct of the campaign, and vote counting are still open to abuse by the authorities and are not guaranteed to be free, fair or transparent.

A major issue remains the formation of electoral commissions, which are responsible for vote counting and tabulation. Opposition representatives are almost totally excluded from their composition. International election observers were highly critical of the procedures for counting ballots and the transparency of the process for the 2012 poll. State media emphasized 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 a long time. It also lacks ideas and approaches to strengthen its links with the electorate against the background of an extremely unfavorable political environment.

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 President Lukashenka. 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. These bodies lack pluralism, independence and transparency, and have little influence on central decisions. In the fifth convocation of the National Assembly, from 2008 to 2012, members of parliament initiated and passed only one piece of legislation themselves. Lukashenka has described the executive, legislature and judiciary as branches on the tree of the presidency, which can be trimmed as he sees fit.

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

Effective power to govern

2

and making decisions. It exists in a “parallel world” within Belarusian society, 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. Unregistered groups and parties that (depending on the political climate) are tolerated by the authorities nonetheless face severe penalties. Violations of the regulations governing the freedom of assembly are used by the regime to control political space and opinion. In spring 2011, a wave of “silent protests” by opponents of the regime, which eschewed political banners and simply saw protesters stroll around silently or burst into applause at an agreed place and time, were violently dispersed by the authorities. In response, restrictions on freedom of assembly were tightened later in the year through amendments to legislation that required official permission for any kind of public gathering. In June 2012, the Belarusian parliament also adopted a new law to strengthen the power of the secret police, which included expanding the right of the KGB to use force against political and civic activists.

Freedom of association is significantly limited by regulations constraining the appropriate environment. No non-governmental organization is allowed to operate without registration effectively permission from the authorities. Article 193.1 of Criminal Code criminalizes activities on behalf of unregistered initiatives. Several civic and political activists have been imprisoned on the grounds of this article.

Rules include the obligatory registration of any external funding, and limited access for NGOs to schools, universities and other institutions. The regime does not encourage free political participation or self-organization beyond loyal government-organized non-governmental organizations (GONGOs). Groups that are perceived to oppose the regime are exposed to harsh repressions and restrictions. In the months following the crackdown against demonstrators in December 2010, there were a number of raids and arrests targeting NGOs. Most prominently, the Chair of the Human Rights Centre Viasna, Ales Bialiatski, was arrested and imprisoned in 2011, and the NGO was evicted from its Minsk offices in 2012.

Authorities widely use GONGOs to both influence the domestic population and to impress organizations and governments abroad. GONGOs simulate the role of civil society and deliver pro-government messages to the international community on behalf of the “Belarusian civil society.”

At the same time, many NGOs in Belarus that are not directly connected with policy or politics do have room for 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, due to a very unfavorable environment, a lack of tradition and internal support, and high levels of

Association /  
assembly rights  
3



pressure. Many civil society initiatives experiencing significant difficulties in reaching people offline have to concentrate their activities in online formats, which have their own strengths and weaknesses.

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 and journalists are regularly harassed by the authorities. After the 2010 elections, the offices of independent media outlets were searched by law enforcement officers, computers were confiscated, Internet sites were blocked, and journalists were detained.

In summer 2011, the journalist Andrzej Poczobut received a three-year suspended prison sentence for insulting the president in articles that he had written for a Polish newspaper. The authorities threatened to close the independent newspapers Nasha Niva and Narodnaya Volia in 2011, ultimately choosing instead to levy heavy fines for alleged violations of media laws. At the end of 2012, the regime launched a campaign of harassment against the monthly journal Arche, threatening it with closure. Today, the Internet provides the greatest opportunity for freedom of expression, though this sphere, too, is coming under increasing pressure. The authorities are paying more attention to social media, and, in August 2012, moderators from popular Internet forums were detained and charged with hooliganism as the parliamentary elections drew near.

Freedom of  
expression  
3

### 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 structure 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 is essentially a rubber-stamp body whose members have virtually no power to control the executive. 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.

Separation of  
powers  
2

The country's administrative structure poses a severe obstacle to the realization of accountability, administrative independence and transparency. Among other prerogatives, 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.

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. The judiciary depends heavily on the executive at all regional and national levels. The head of the referring executive branch 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.

Independent  
judiciary  
4

The regime abuses judicial power, wielding it as a tool of punishment and repression against opponents. Members of the democratic opposition and independent media continue to face arbitrary arrest and to receive ill treatment in jail. After December 2010, advocates for the interests of detained politicians and civic activists faced unprecedented pressure. Some even lost their licenses, typically for far-fetched reasons.

The case of the two convicts sentenced for the bombing of the Minsk metro in April 2011 drew widespread international criticism for the speed of their confessions and perceived flaws in the trial process.

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. Today, he continues to take significant steps against corruption. Fighting corruption, including the abuse of position by low-level officeholders, is thus a superficial part of the official political agenda and state propaganda. In reality, the abuse of position is to a certain extent tolerated by the regime as part of its policy. 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.

Prosecution of  
office abuse  
4

Early 2012 witnessed a high-profile anti-corruption campaign by the KGB against several managers of state-owned companies and officials in the region. However, by the end of 2012, Lukashenka had dismissed the head of the KGB for being complicit in corruption himself (among other claims), and there were accusations that the KGB was covering up for certain corrupt officials.

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 also the only European country that still allows the death penalty, a fact that made headlines when two men convicted of carrying out a bombing on the Minsk metro in 2011 were executed in March 2012, despite pleas for clemency. While some human rights (such as the right to education) 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 activity.

The ferocity of the violations comes in waves reflecting the political climate. The brutal crackdown following December 2010 presidential elections saw protesters beaten and hundreds detained. Almost all the alternative presidential candidates who had stood against Lukashenka were arrested at some point. Some, like Andrej Sannikau and Ales Michalevich, said they were tortured in jail. Courts handed down suspended sentences against presidential candidate such as Vital Rymasheuski and Uladzimir Njakljajeu, with the latter now effectively under house arrest. Sannikau and Mikola Statkevich were sentenced to five and six years in jail, respectively. Sannikau was released in April 2012, but Statkevich remains a political prisoner. Other prominent prisoners of conscience who remain in jail include the youth leader Zmitser Dashkevich, the politician Pavol Sieviaryniets and human rights activist Ales Bialiatski.

#### 4 | Stability of Democratic Institutions

The Lukashenka regime tries to present the image of a state governed by democratic institutions and rules. 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, which he often manages through a process of divide and rule, carefully balancing different interests that range from hardliners to moderate economic liberalizers.

A new head of the all-important presidential administration was announced in August 2012. Andrej Kabjakou returned from his post as ambassador to Russia to take up the position, replacing Uladzimir Makei, who moved to the foreign ministry. Despite claims that this Moscow-born official would be Russia's man in Minsk, he and Lukashenka share a long history dating back to his initial election as president in

Civil rights  
2

Performance of  
democratic  
institutions  
2

1994. In the period under review, the regime has shown no genuine intention to make fundamental changes based on the principles of democratization, which does not serve the self-interest of the incumbent rulers. Indeed, the first two years of Lukashenka's fourth term serve as a sharp contrast to the limited liberalization seen in the last two years of his third term.

From a formal perspective, the authoritarian system has retained democratic institutions, but it 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. The democratic opposition, which suffers from structural shortcomings, has almost no impact on or influence over state institutions. It has to act in a dangerous "parallel world" or "democratic ghetto," tolerated by the regime but constantly monitored, repressed and attacked by the authorities and the state's quite effective propaganda. Political parties in Belarus are excluded from the real political process and are significantly marginalized.

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. 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. Despite persistent speculation since its founding in 2007, the president still shows little interest in converting Belaya Rus into a dominant pro-Lukashenka party of power.

Two of the main parties within the oppositional spectrum are the liberal, free-market United Civic Party, and the national democratic Belarusian Popular Front (BPF). Also significant on the left of the political spectrum are the Belarusian Left Party, or "Fair World," and the Belarusian Social Democratic Party, or "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. Belarusian Christian Democracy 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 secured any seats in the 2012 elections, and none has been represented in parliament since 2004. Opposition parties did not have a common strategy for the parliamentary election: Some participated, some boycotted, and some registered candidates but withdrew before polling day.

One characteristic of the Belarusian political landscape is the double identity many political initiatives have. On the hand, they act like political parties (activists, a political agenda, candidates at elections, etc.), while on the other hand they portray themselves as civil society organizations. 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.

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.

According to the Belarusian think tank Center for European Transformation, civil society organizations have initiated increasingly articulate and coordinated efforts to advocate and lobby for their interests. 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, an attempt by the National Platform to get support for a new concept for civil society activities in Belarus ran into resistance from a number of prominent civil society organizations, which claimed it unnecessarily politicized the sector.

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. Initiatives run by politicized groups typically focus on human rights or freedom issues, or on specific economic interests. A growing share of these groups deals with very specific issues of self-organization, the environment, culture and history, eco-tourism or regional projects.

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

Interest groups

4

Freedom, Andrej Sannikau with European Belarus, and Uladzimier Njakljaeu 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 has seen a dramatic decline in public support for Lukashenka, reaching a nadir of 20.5% in September 2011, although it had recovered somewhat to 31.5% by December 2012. However, this has not been reflected in a matching increase in support for opposition figures, so it is very difficult to say anything definitive with respect to support for democracy.

Approval of  
democracy  
n/a

Calls from some in the opposition for a boycott of the 2012 parliamentary elections to protest the undemocratic nature of the regime did not inspire a widespread public response. 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, the tradition of sincere kitchen talks within one's closest circle, reminiscent of the Soviet era, exists in Belarusian homes.

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 that 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

Altogether, there are more than 2,000 officially registered NGOs in Belarus. According to international estimates, there are another unregistered 500 to 700 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 for lack of focus on the domestic needs of the public.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Question  
Score

Socioeconomic  
barriers  
7

Compared to other post-Soviet republics, excluding the Baltic states, Belarus has a relatively high level of socioeconomic development. 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 that swept Belarus did precipitate some increase in poverty and actually narrowed inequality as the relatively rich were also hit hard by the crisis. A wide societal distribution in GDP has been achieved at the cost of highly regulated labor and pricing policies. There is no structural economic disenfranchisement for the country's minorities (mostly Russians and Poles). However, these indicators also reflect the fact that no wholesale economic transformation has begun in Belarus, and that, for the regime, social policies take ideological priority over efficiency and sustainable growth. The relatively undeveloped state of economic reform means that the social and economic spheres have been defined by political means and mechanisms. In 2012, Lukashenka announced his course on industrial modernization, which is seen by him in quite a narrow sense focusing on new equipment and raising the quality and quantity of production.

The level of exclusion of some social groups from the society is comparatively low. Religious and ethnic aspects were never used as a significant basis for exclusion. At the same time, women and people with disabilities are still limited in their opportunities to participate in economic life or reach higher positions in the hierarchy. The ideological background of this form of soft discrimination is often taken from the Soviet past.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	49271.3	55220.9	64271.6	<b>63267.0</b>
GDP growth	%	0.2	7.7	5.5	<b>1.5</b>
Inflation (CPI)	%	12.9	7.7	53.2	<b>59.2</b>
Unemployment	%	-	-	-	-

Economic indicators		2009	2010	2011	2012
Foreign direct investment	% of GDP	3.8	2.5	6.2	<b>2.3</b>
Export growth	%	-7.8	7.7	28.4	-
Import growth	%	-9.1	12.2	16.4	-
Current account balance	\$ M	-6132.7	-8280.2	-5052.5	<b>-1687.8</b>
Public debt	% of GDP	34.9	42.0	43.4	<b>36.9</b>
External debt	\$ M	17935.4	25626.6	29119.6	-
Total debt service	\$ M	1303.6	1469.4	2113.1	-
Cash surplus or deficit	% of GDP	0.2	-1.5	1.7	-
Tax revenue	% of GDP	19.3	16.9	15.0	-
Government consumption	% of GDP	16.7	16.8	13.9	<b>14.6</b>
Public expnd. on edu.	% of GDP	4.5	5.4	5.2	-
Public expnd. on health	% of GDP	3.9	4.3	3.8	-
R&D expenditure	% of GDP	0.64	-	-	-
Military expenditure	% of GDP	1.4	1.4	1.3	<b>1.2</b>

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

## 7 | Organization of the Market and Competition

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. In the period covered in this report, the government has made many proclamations about stimulating private-sector development and entrepreneurship activities, such as Decree No. 6 on entrepreneurship in smaller towns and the countryside. In practice, their implementation has been limited.

Progress on any large-scale privatization has been slow. The agency for privatization and investment launched in June 2011 had yet to sell any of the enterprises assigned to it by the end of 2012. Belarus still limits investment freedom, requiring that the majority share in any investment or privatization project remain in state hands. Once again, privatization is taking place on an ad hoc basis by presidential fiat.

Market-based  
competition  
4



Competition suffered a further setback in 2012 with the shock nationalization of two chocolate factories thanks to a presidential edict that had retroactively changed the law to allow it. This set a worrying precedent for the future.

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, 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 leading trade partner for Belarus. The small Belarusian economy is relatively open to the rest of the world. Traditionally, Belarus has been one of the countries most reliant on imports in the region, although this was tempered somewhat by the devaluation of the national currency in 2011, which encouraged Belarusian households to buy local goods. Since 2011, Minsk has exported slightly more to the European Union than Russia, although less than its exports to the CIS as a whole, according to official statistics. Trade with the West is increasing in spite of economic sanctions and political opprobrium. Trade with Russia still remains 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's exports to the European Union are in the form of oil products refined in Belarus using cheap Russian imports.

Liberalization of  
foreign trade

6

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 was preserved, usually for business interests with close ties to the ruling elites. Internal borders within the Customs Union have been eliminated, and Belarusians can work freely in Russia, leading to concerns about an outflow of Belarusian labor to better-paid jobs in Russia. In January 2012, the Single Economic Space between the three countries commenced, and Belarus has been particularly keen to move forward on a joint energy market to ensure continued supplies of cheap oil and gas.

In August 2012, Russia finally joined the WTO, which has had a significant impact on other members of the Customs Union. Belarus will be expected to open its market to imports from WTO member states on the same terms that Russia accepted with its accession to the body, but WTO member states will not have to lower their customs rates on goods originating in Belarus in return. This trade liberalization benefits Belarusian consumers but potentially threatens Belarusian producers. Minsk did secure some exemptions for the Belarusian automotive industry for a transition

period. Belarus now has an incentive to pursue its own application to join the WTO with renewed vigor, and the government has made official statements that it aspires to accede to the body as soon as possible.

Trade conflicts with Russia continue to flare up. These have included battles in the so-called milk and meat wars since 2009, accusations that Belarus has dumped sugar and other agricultural products on the Russian and Kazakh markets, and even the suspension of flights between Minsk and Moscow in a dispute over airline routes in 2012. Sometimes similar but smaller conflicts also occur with other neighbors like Ukraine or Lithuania.

Belarus's banking system is still largely controlled and dominated by the state. The state uses various measures to control the private banking sector and is also limited in its economic freedom. State banks grant loans as the government demands, reducing the banking system's transparency, liquidity and efficiency. Loss-making state-owned companies, for example, receive huge loans from state-owned banks. These loans are typically granted according to political rather than economic considerations.

Such directed lending contributed to the current account deficit in 2011, an erosion of central bank reserves, and panic demand for foreign exchange by the public in anticipation of the national currency's devaluation. A systemic banking crisis was averted, however. Two large state-owned banks, Belarusbank and Belagroprombank, were recapitalized by the government in 2012, and an increase in nonperforming loans is anticipated. The state has announced plans for the limited commercialization of the banking sector.

## 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 traditionally has been among the highest in the CIS, but, following the 2011 economic crisis in Belarus, it soared to one of the highest rates in the world, according to the World Bank, at 53.2%. Significant attempts were made to stabilize inflation in 2012, but it remains high and subject to volatility, for example policy-induced increases to wages and lending before elections.

The macroeconomic situation deteriorated sharply in 2011, and although it stabilized in 2012 this did not come with structural reforms. There is still no guarantee of future stability.

The 2010 presidential election campaign saw the creation of large external imbalances as wages and pensions were increased and directed lending to business expanded. The consequence was a current account deficit that reached almost \$6

Banking system

2

Anti-inflation /  
forex policy

3

Macrostability

3

billion and a severe depletion of central bank reserves. External debt, which has traditionally been quite modest in Belarus, ballooned to \$25.6 billion, and public debt made up 49.8% of GDP.

The national currency was devalued significantly, and some tighter economic policies were introduced that narrowed some of the disproportions in the system. A total economic collapse was averted, and macroeconomic performance stabilized in 2012. This can be attributed to a cut in household incomes for the average Belarusian, and beneficial new oil and gas agreements with Russia.

The underlying problems inherent in the system remain, however, such as politically motivated increases in wages and lending. The government managed this crisis, but without serious commitment to long-term structural reforms.

## 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. As a result, the time required to register property in Minsk has fallen from 231 days to just 10.

Property rights  
3

Nevertheless, 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, that property can still be seized for state use. Property rights are comparatively well protected until it touches some interest of state officials. 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 five days start a business in Belarus. By 2013, Belarus had risen to 58th place in the World Bank's Ease of Doing Business Report, and the government's stated goal is to enter the top 30. Decree No. 6 on the promotion of entrepreneurship in the countryside and smaller towns was introduced in 2012. In June 2012, Lukashenka signed the Edict on the Chinese-Belarusian Industrial Park, which will host high-tech and export-oriented companies and promises tempting concessions for business. Generally, however, private companies are still permitted largely as exclusive enclaves in an economic system dominated by the state.

Private enterprise  
2

There has been limited progress on serious large-scale privatization. The agency for privatization and investment launched in June 2011 had yet to sell any of the enterprises assigned to it by the end of 2012. Privatization is now taking place again on an ad hoc basis by presidential fiat. The final stake in Beltransgaz was sold to Gazprom in 2011, mainly for political reasons in order to ensure cheaper gas supplies for Russia. Negotiations continue over the merger of the Belarusian automotive plant

MAZ with Russia's KamAZ. Russian companies also express interest in the purchase of lucrative oil refineries and potash producers. Privatizing the so-called family silver would reduce Lukashenka's central control over the economy, and so the authorities resist any final commitment to privatization unless it is completely unavoidable. Concerns have also increased over the specter of nationalization following the installation of state officials as directors in two confectionery companies in 2012 and the exclusion of previous foreign investors.

## 10 | Welfare Regime

Belarus's highly developed welfare regime, one of the priorities of the country's social market economy model, is highly cost-intensive. This is because the government places priority on social services that are too indiscriminate and are closely associated with ideological rather than social goals. Nevertheless, social benefits do not cover the cost of living. The average level of pensions is only between \$200 and \$300. Price increases and currency devaluation during the 2011 crisis had a negative impact on the effectiveness of the social safety net and led to problems in the indexation of social benefits.

Social safety nets

6

There is no system of independent pension funds, so people cannot decide how much to pay for their pension while they work. The pension system is totally state-governed. Against this backdrop, concerns emerged about increases in unregistered migration and an outflow of labor, in particular to Russia. Despite the fact that free medicine and education are guaranteed by the Belarusian constitution, it is hardly possible to get good quality service in these fields without additional financial payments.

Societal fragmentation remains within tolerable limits. At more than 50%, the employment rate for women is relatively high, but women 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.

Equal opportunity

5

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

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 toward members of the LGBT community.)

Belarusian language communities also suffer from inequality to some extent. Despite the fact that the Belarusian language has the same status as the state language Russian, for the last 15 years it has become much more complicated to explore linguistic rights in a proper way. Education, medicine, courts, military service and the banking system are not adapted for active usage of the Belarusian language.

## 11 | Economic Performance

Belarus's economic performance during the review period was affected by the balance of payments crisis and the devaluation of the national currency that the country experienced in 2011. The current account deficit stood at \$5.8 billion, and public debt made up 49.8% of GDP.

Output strength  
5

According to the World Bank, real GDP growth fell from 7.7% in 2010 to 5.3% in 2011, and forecasts for 2012 and 2013 are for a continued gradual decline. Inflation soared from 7.7% to 53.2%, the highest level recorded by the World Bank for any country in 2011. Tax revenue fell for the third consecutive year, down to 16.9% of GDP. An apparent spike in foreign direct investment (FDI) in 2011, during which FDI trebled, can be attributed to the sale of one major asset. This was the purchase of the gas pipeline company Beltransgaz by Russia's Gazprom, which distorted the usual pattern of FDI. FDI fell back again by 75% in 2012.

The total number of registered unemployed varies between 0.6% and 1.5%. However, very few of the unemployed actually register, so official statistics are unrealistically rosy. Estimates for true unemployment are anywhere between 5% and 10%. In 2012, the authorities introduced a new method to calculate the unemployment rate, but the results are classified.

Stabilization, recovery and economic growth in 2012 was highly reliant on the return of discounts on oil and gas prices from Russia, although on terms less favorable to Belarus than they had been before 2007. The state attempted to increase its revenues by exporting petroleum products it had refined using Russian oil under the guise of solvents and lubricants to avoid paying export revenues it owed to Moscow under the new agreements. In response, Russia reduced its energy grants to Belarus at the end of 2012, threatening future Belarusian output and performance.

## 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, despite active resistance of Belarusian environmentalists and civil society, Belarus signed an agreement with a Russian corporation for the construction of two reactors near the Lithuanian border, the first going online in 2017 and the second not later than 2018.

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. This was demonstrated by the so-called public hearings on the nuclear power station projects. Many environmental organizations were banned from this event.

Together with the Belarusian Anti-Nuclear Campaign, a number of other initiatives to protect the environment took place in 2012, concerning for example swamps, city parks and protected natural areas. At the moment, this is one of the most active resistance zones for Belarusian civil society.

The Belarusian state actively demonstrates that economic interests are more important than environmental ones, despite the growing demand among the population to provide for a greener way of life, as is found in most of Europe.

Overall, tertiary enrollment in education has been growing, currently standing at about 85%. A little over half of Belarusian students study part-time. Government education expenditure represents about 5.4% of GDP. 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 closed Western-oriented institutions for basic and advanced education. For example, the European Humanities University, previously based in Minsk, now operates in Vilnius.

Education policy /  
R&D  
5

The Ministry of Education finally began preparations in 2011 for accession to the Bologna Process. However, thanks to the alternative report on the state of education in Belarus compiled by the independent Belarusian Public Bologna Committee, the Bologna Follow-Up Group in 2012 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.

Education is one of the sectors in which sporadic reforms have been implemented since independence. Changes initiated in 2009 aim at streamlining education to solely serve the economy. As a result, the quality of secondary and higher education is falling. Many young people with high potential prefer to study in universities in neighboring countries, such as Russia, Poland, Lithuania or 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 six heads of universities have been placed on the European Union's blacklist of Belarusian officials.

A similar assessment can be made about research institutions. Many of them have lost a lot of specialists due to low salaries and limited professional freedom.

## Transformation Management

### I. Level of Difficulty

According to the World Bank, per capita GDP stood at an upper middle-income level of \$5,820 in 2011. The Human Development Index ranked Belarus in 50th place worldwide, the highest among CIS countries and higher than two EU member states, Romania and Bulgaria. Among the country's other advantages are a degree of ethnic and religious homogeneity, and low disparities in income.

Structural  
constraints

6

Estimates by UNAIDS, the Joint United Nations Programme on HIV/AIDS, of the number of people living with HIV/AIDS by 2011 was 20,000. The prevalence rate in adults aged 15-49 is 0.4%, the lowest in the Western CIS but still quite high by European standards. 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. The average Belarusian citizen has a high level of education, but the population has been trained to serve the needs of centrally planned economies, an obstacle to the establishment of a market economy in Belarus. There are concerns that quality is being sacrificed for quantity. As one of Europe's few landlocked states, Belarus also has limited access to international trade routes.

Belarus possesses negligible or at best weakly developed civic traditions. Since the collapse of the Soviet system in 1991, numerous civic activities have emerged. The activities of civil society organizations continued to be seriously restricted by the authorities. In the aftermath of the 2010 presidential elections, civil society has come under severe attack by the KGB and state security forces.

Civil society  
traditions

7

But despite these difficult conditions, 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 democratic NGOs. A National Platform has been created to engage with the Civil Society Forum of the European Union's Eastern Partnership program, and is one of the few arenas in which the European Union still engages with Belarus in the framework of the Eastern Partnership.

Furthermore, there is a growing tendency toward new civil society activism in the field of culture, environment, charity, business and professional associations.



However, the state has also been active in creating government-oriented civil society organizations, which are primarily aimed at the consolidation of Lukashenka's power. Usually, the general public knows very little about civil society organizations and citizen participation in them is low.

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. This has not yet produced a violent radicalization of the opposition, and violent incidents at any protests are initiated by the authorities. In April 2011, a nail bomb went off at a metro station in Minsk, killing 15 and injuring over 200. However, the incident was not officially linked to any opposition, ethnic, religious or international grievances.

Conflict intensity  
3

## II. Management Performance

### 14 | Steering Capability

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.

The regime is highly dependent on access to Russian energy at preferential prices. Since Russia started to increase its energy tariffs 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 European Union 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; and deepening economic cooperation with China.

Hardliners, particularly those in 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 are

Question  
Score

Prioritization  
3

champions of any gradual evolution toward democracy, and Lukashenka does not allow either to completely hold the upper hand over the other. 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.

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

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, during which the regime's claims that it alone could guarantee socioeconomic stability in the country were undermined.

The Lukashenka regime's ability to democratize and open the country on its own is highly doubtful. All policies implemented by the government are eventually aligned with the goal of maintaining power. Government reform initiatives are oriented toward short-term benefits rather than long-term strategy. Nevertheless, 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 2014 will mark the 20th anniversary of his first election. Within the context of his autocratic rule, Lukashenka 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.

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, included a privatization program and the reduction of administrative barriers to opening a private business. However, any reforms are ad hoc, piecemeal and subject to reversal at any time. They tend to be implemented only in so far as they are absolutely necessary to maintain the ruling authorities' hold on power.

Implementation  
3

Policy learning  
2

## 15 | Resource Efficiency

Because of the regime's lack of transparency, it is difficult to evaluate the efficiency of resource use. Over the past five years, the Belarusian government has struck loan agreements with a variety of donors, including the IMF, Russia, the Eurasian Development Bank and China. These appear to have been earmarked for maintaining the status quo and increasing salaries and pension in the lead-up to national elections, rather than providing a foundation for wholesale modernization or reform.

Efficient use of assets

4

The efficiency of the administration remains comparatively high. 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. In late 2012, in response to the need for budget cuts, Lukashenka announced that the number of bureaucrats in the country would be cut by a quarter.

The dominant authoritarian model does not allow for conflicting policy priorities. It 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 before elections can have negative fallout in their aftermath, as witnessed in 2011 with the balance of payments crisis, hyperinflation and devaluation of the currency.

Policy coordination

5

Rising energy costs and the impact of the global financial crisis have created pressure on the government to choose between a course of economic modernization and its current path of subordinating the economy to the regime's political interests. Since the regime decided to consolidate its power by repressing the opposition, the road to the European Union and the West, and therefore to investments and loans, is closed for the moment. In the long run, Russia's economy will not be able to provide the input needed by the Belarusian economy for its inevitable modernization. The price Moscow may demand in terms of access for Russian business may be too high for government elites. Lukashenka views China as a possible third option, and the authorities have actively pursued links with Latin America, the Middle East and Southeast Asia.

Findings on the success of Belarus's anti-corruption efforts are inconclusive, in part due to a lack of transparency. 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. Various regime opponents, as well as members of the regime who have fallen out of favor, have been sentenced to multi-year prison terms

Anti-corruption policy

4

in the course of anti-corruption trials. Low-level petty corruption that the average Belarusian might face on an everyday basis is perceived to be considerably lower than in neighboring Russia and Ukraine.

The year 2012 was filled with a number of anti-corruption cases that attracted a lot of publicity, including corruption accusations against and convictions of high-ranking officials from Minsk municipal authorities and power ministries. Lukashenka uses such trials to keep the bureaucracy under control.

There is no access to 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

Major political actors are required to support Lukashenka's "social market economy" path. Members of Belarus's state government who forgo expressions of loyalty to the president have little opportunity to influence political or economic decisions. The consensus on reforms and their objectives has been enforced from above.

Consensus on goals  
2

There has been regular turnover in the personnel who populate the elite circle around Lukashenka. They all remain beholden to the president at the center of the political system in Belarus, regardless of whether they are from the old guard or a younger generation, technocrats or members of the security and law enforcement agencies. Lukashenka has proved adept at balancing different groups against one another and ensuring that it remains in their own various interests to maintain the existing system as it is. There is an absence of strong independent voices in politics, business or the regions to promote democratization or the market economy. The counter-elites in the opposition are effectively marginalized in a "democratic ghetto."

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.

Anti-democratic  
actors  
2

Political and economic actors who might be able to promote reform fail because the president usually blocks reform attempts that could potentially undermine his position, regardless of what may be in the best interests of the country. 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 of prolonging the president's hold on power. Such reformers can quickly lose influence,

as was dramatically demonstrated in the government reshuffle after the 2010 elections and the installation of a new prime minister.

The political leadership downplays cleavages, often dismissing attempts to create political alternatives as influenced by foreign powers. Democratic protests against fraudulent elections are characterized by Lukashenka as hooliganism. These events show the regime's readiness to propagate misconceptions of democratic protests when the regime comes under pressure, portraying protesters as serving external backers who want to destabilize the country.

Cleavage /  
conflict  
management  
3

Ethnic, linguistic or religious conflicts have not been allowed to emerge, unless it is in the interests of the regime, for example portraying the Polish minority as fifth columnists. In doing so, however, the regime also prevents people from expressing alternative opinions to those sanctioned by the state.

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. Journalists, religious groups, trade unions and other civil society actors have been the targets of government harassment. Opposition demonstrators are regularly jailed. 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, developments that would surely emerge in the case of democratic regime change.

Reconciliation  
3

## 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. During the European Union-Belarusian rapprochement between 2008 and 2010, the government was only interested in engaging in technical and economic cooperation on its own terms, resisting demands for wider democratization and liberalization.

Effective use of  
support  
4

Any progress was rolled back following the outcome of the presidential elections at the end of 2010, demonstrating that it was both cosmetic and reversible. The European Union renewed and extended its visa ban for senior officials and introduced

limited economic sanctions during the period covered in this report. This culminated in a diplomatic crisis in spring 2012, when ambassadors from EU member states were recalled from Minsk for two months. By the beginning of 2013, there were some signs that Belarus was seeking ways to engage again in a more constructive dialogue with the European Union.

Belarus has also been involved in Russia-led Eurasian economic integration projects, with the launch of the Customs Union in 2010 and the Single Economic Space in 2012. Lukashenka's support is predicated on economic gains that will help secure his hold on power, and he is likely to remain a fair-weather supporter of Eurasian integration.

In the wake of the December 2010 presidential elections, Lukashenka lost any goodwill he had built up as a credible political partner for the European Union. The door remains open for cooperation in case liberalization resumes, but the European Union is likely to be much more cautious in its dealings. Belarus was not excluded from the Eastern Partnership initiative, but the only real area of activity at the moment is in the Civil Society Forum. Belarusian officials refused to attend Eastern Partnership meetings in 2011 and 2012, and the launch of a European Dialogue for Modernization with Belarus was generally disregarded by Minsk.

Credibility

2

Relations with the United States remain poor. The U.S. Embassy in Minsk has not had an ambassador in place since the Belarusian authorities declared 10 diplomats to be *personae non-gratae* in 2007. As a consequence of the repression of the opposition after the December 2010 elections, the U.S. government joined the European Union in enforcing travel bans against Belarusian officials, and it has extended its economic sanctions against the regime.

Relations with Russia have also been fraught. Although the situation has improved since the low point of 2010, at which time trade wars and public disagreements were played out in the full glare of the media of both countries, Belarus is still accused of being an unreliable partner. Minsk has resisted fulfilling the conditions attached at the behest of Russia on loans from the Eurasian Development Bank EurAsEC Anti-Crisis Fund, which were vital during the country's financial crisis in 2011. Russian officials also accused the Belarusian authorities of effectively smuggling refined oil products out of Belarus under the guise of solvents and lubricants in 2012 to avoid paying export revenues to Moscow.

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.

Regional cooperation

4

During the period of rapprochement between Belarus and the European Union, the political leadership in Minsk repeatedly expressed interest in cooperating with single

neighbor states as well as with regional and international organizations. The government also joined the European Union's Eastern Partnership initiative in 2009, but was only able to participate in the multilateral dimension as it still lacked a Partnership and Cooperation Agreement with the European Union. Since the 2010 elections, cooperation has been reduced to activities with civil society in Belarus.

The relationship between the regime and Russia had sunk to a new low by 2010. In the light of Western opprobrium after the election crackdown, relations improved somewhat during 2011. However, the Russian government is not willing to unconditionally support the Lukashenka regime. Moscow has increased pressure on Lukashenka to participate in Eurasian economic integration projects, as well as to open up the Belarusian economy to Russian business interests that want to purchase assets in successful industries, such as oil refineries. At the same time, Lukashenka has some supporters among the political elites of Lithuania and Latvia, and also has the potential to find common interests with Ukraine.

## Strategic Outlook

The next major political event on the Belarusian horizon is the 2015 presidential election. A democratic breakthrough is unlikely under the present domestic circumstances. If Lukashenka stands for a fifth term, and there is no indication he will not, an entire political system exists to ensure his victory. The personalization of power under his rule means that there is no serious rival within the government, and any prospect of a “palace coup” remains unlikely. Lukashenka sits at the apex of a political system in which all other actors rely on him as a patron for their position.

The socioeconomic crisis in 2011 did not result in mass public unrest. The electorate is characterized by apathy and disillusionment. Although Lukashenka’s personal ratings have slumped, according to independent polling, he still remains by far the most popular politician in the country. Undecided voters are likely to reluctantly default to supporting Lukashenka as a known quantity.

The opposition will continue to be marginalized by tried and tested government tactics and remains internally divided along long-established cleavages. A coordinated strategy from united opposition forces to offer an alternative candidate who genuinely appeals to voters on issues that concern them appears highly unlikely to emerge before the 2015 poll.

Any gesture toward moderate improvements in the democratic process are less likely to be a response to domestic pressures and more likely to be a technique to improve the regime’s standing in the West. Belarus will seek to normalize relations with the West, in the hope of securing new IMF loans, benefiting from economic and technical cooperation with the European Union, balancing dependence on Russia, and finally joining the WTO. Minsk will still resist calls for democratization and wholesale structural reforms of the economy, which would threaten Lukashenka’s grip on power. The West will face the challenge of withholding economic support until there is substantive democratization, or taking smaller steps in response to signs of economic liberalization or high-profile gestures such as the release of political prisoners. Following the bitter experience of the rapprochement in 2008–2010, the European Union and the United States are less likely to show Minsk the benefit of the doubt. However, they will also be concerned about Belarus’s becoming an economic vassal of Russia.

Belarus weathered the economic storm of 2011. But much of the blame for it came from the government’s own policies, and there is nothing to stop the economy from overheating again in the run-up to the next national elections. The coming years will see repayments mount on loans that will require economic growth or new sources of funding to service. Western donors will demand structural reforms, while Russian partners will want to see serious progress on privatization. Minsk will do everything in its power to avoid committing to these for as long as possible, but the government has decreasing room to maneuver. Liberalization and privatization will be promised and may even be implemented, but at the bare minimum required to get to the



end of Lukashenka's current presidential term and ensure the desired result for the incumbent elites at the 2015 election.

Summer 2014 will mark the 20th anniversary of Lukashenka's presidency, and the strategic outlook for Belarus will remain highly dependent on him. Closer cooperation with the West to support economic modernization will require democratization in return. Deepening ties with Russia will not come with calls for democracy, but Moscow will expect a much greater role for Russian business interests in Belarus and less state control over the economy. Neither option appeals to Lukashenka, as both undermine his rule, but he has two decades of experience in managing such balancing acts and in ensuring his own survival in the face of predictions of the inevitable collapse of his regime.