

Zapad on Belarus's Mind

7th Belarus Reality Check Non Paper

The 7th Belarus Reality Check took place on June 21, 2017 in Vilnius, Lithuania. Organized by the Eastern Europe Studies Centre (EESC) with the support from the Ministry of Foreign Affairs of Lithuania, USAID through Pact and Forum Syd, and together with programmatic contributions from the Carnegie Endowment for International Peace, the event gathered leading Belarusian and international experts and practitioners to discuss the latest political, economic and security developments in Belarus and to provide evidence-based analysis and balanced policy advice. This non-paper is the result of the meeting and further research. Since 2012, the Eastern Partnership Reality Check meetings were held under Lithuanian and Latvian EU presidencies. Other non-papers about Belarus, Georgia, Moldova, Ukraine are available at [EESC website](#).

Summary of Conclusions

The European Union's "critical engagement" policy has contributed to attitude change by the Government of Belarus (GoB) as well as procedural improvements. However, as the March 2017 crackdown on peaceful protesters suggests, there are no substantial political changes in Belarus.

Some positive steps taken by Belarus in the recent past - release of the remaining political prisoners and peaceful presidential elections, for example - have created an opportunity for EU-Belarus relations to further develop. Western insistence on democratic norms, practical incentives, focus on building trust and widening dialogue matter around human rights issue has led to the last detainees of the crackdown on peaceful protesters in March 2017 released before OSCE Parliamentary Assembly held in Minsk in July 2017. In the context of the Ukraine crisis, both Minsk and Brussels are fine with the gradual widening of contacts and dialogue.

Although Russia has been reducing the level of its subsidies, it maintains a strategic stake. Minsk has a degree of independence regarding the Ukraine crisis, while its structural dependence on Russia also serves as a deterrence. Moscow provided a much-needed bailout this year in form of a loan as well as energy agreements favorable to Belarus.

Status quo and conservative policy principles continue to have the upper hand in Belarus. Despite the March protest against the so-called social parasite tax, the opposition remains fragmented. It was unable to utilize the general dissatisfaction caused by several years of recession to increase its popular base.

Meanwhile the role of private sector has been constantly growing. Despite lack of structural reforms, Belarus managed to [climb to 37th place](#) in the Doing Business Survey. But the potential of the current recovery is limited. To meet its ambitious modernization goals, Minsk will need external financing. This leads back to structural reforms.

Belarus assistance to regulate the Donbas conflict has been welcomed. Nevertheless, future dynamics of the relations with the West will mostly remain conditional around human rights issues. During Zapad2017

Minsk will aim to meet [two objectives simultaneously](#): to continue building trust with the West, while continuing to closely cooperate and appease Russia. Minsk thinks it has no other realistic geopolitical choice.

The EU and Belarus: Less Alien

Relations between the European Union and Belarus are driven by the “only possible policy” within the framework of domestic factors and region’s geopolitics. Brussels’ [critical engagement](#) has created opportunities for Minsk to change attitudes by raising sensitive issues hoping that it will lead to policy (legislation) change in human rights, political freedoms and rule of law in the longer run.

Belarus’s gradual opening towards the West is a careful balancing act; performed while keeping an eye on Minsk’s interest of strategic engagement with Russia. Minsk’s expectation is that the West would accept its current form of government, allowing Belarus greater room for (economic) maneuvering. In the context of Ukraine crisis, neither Minsk nor Brussels wants a U-turn. The EU’s objective of the dialogue is building contacts and trust, particularly getting Belarus closer to [“European identity”](#), i.e. values and standards.

Track Record of EU’s Critical Engagement

- Increased contacts level between Western institutions and GoB
- Visa free regime by Belarus (up to five days)
- Arms embargo and restrictions to some individuals extended by the EC
- Three rounds of EU – Belarus human rights dialogue
- Widening sectoral dialogue between European institutions and GoB. EU-Belarus Coordination Group set up. Contacts with parliament established.
- Negotiations on visa facilitation and readmission agreements continue. Education efforts for state officials.
- Improved state-civil society relations, “Tell the Truth” political movement registered.

Out of the [29 points included](#) in the 2015

EU document on how to improve relations with Belarus, around half have been fulfilled according to independent analysts. EU financial assistance remains modest compared to the region: EUR 29 million was released in 2016, similarly in 2017. Total indicative amount of assistance for 2014-2017 is [EUR 89 million](#).

The EU-Belarus relations were shaken by the protests against the so-called social parasite tax and the [crackdown on peaceful protesters](#). Although the police intervention was brutal, all those detained were released, the [last one](#) before the OSCE Parliamentary Assembly [held in Minsk in July 2017](#). The EU’s red line towards Minsk – no political prisoners¹ – has not been crossed. Compare to 2010 post elections crackdown, Minsk (through the Ministry of Foreign Affairs) has kept a constant dialogue with the EU, including addressing human rights concerns. Direct European engagement with Belarusian law enforcement structures may have also played a role. At the very least, Belarusian officials’ willingness to listen to European human rights-related concerns was cited as a positive change by European diplomats.

¹ Local human rights defenders maintain there are two political prisoners currently in Belarus. See <http://spring96.org/en/news/49539>. One of them was recognized as prisoner of conscience by Amnesty International <http://spring96.org/en/news/87674>

The EU's current policy towards Belarus is challenged by the domestic political opposition, what used to keep a certain "monopoly" on contacts with Western institutions for a long time. Lithuania is trying to mobilize the EU [to stop](#) the Astravets nuclear power plant built by Belarus with Russia's Rosatom near the Lithuanian border, in a close proximity of the capital city of Vilnius. To mitigate the challenge, Minsk has showed some efforts, for example agreed to an [EU stress test](#), yet to be completed according to EU standards.

Belarus' Politics: Soft Dissatisfaction

The so-called "[social parasite tax](#)", requiring unemployed citizens (around 470,000 citizens) to pay EUR 230 annual tax [triggered protests](#) across the country. Although the number of protesters was not high, up to 3,000 people demonstrated in Minsk on February 17, 2017. Despite Lukashenko suspending the law, protests continued to spread to various cities through March. Grassroots opposition activists were the core organizers in the regions. The protests also tapped into a general dissatisfaction with the economy, [frustration about the decree](#) as well as the government's handling of the issue.

The events culminated on March 25, 2017 with the traditional "Freedom Day" protest rally in Minsk, Brest, and Grodno. The authorities, after the [organizers refused](#) to hold the rally at an authorized place, used riot police to disperse around 3,000 protesters detaining hundreds including pensioners standing by and journalists covering the rally. Regional rallies were sanctioned, and were held without complications.

Analysts suggested that Lukashenko's social contract has been [shifting](#) from social welfare towards providing security. Protests in February and March may have also been used by the government to show strength and determination (at home, vis-à-vis the West and Russia) to counter "hybrid" threats and not allowing a Ukraine-type of conflict to arise. Criminal charges against the so-called [White Legion](#), which were later dropped, at least suggested such a consideration from the law enforcement agencies.

One of the participants pointed out that looking from a historical perspective, the March demonstrations attracted several thousand people, in contrast to the 100,000 people who protested against economic and social decline in early 1990s. Election-related protests called by the opposition and civil society actors in 2006 and 2010 brought up to 30,000 to the streets.

The government is also capitalizing on infightings among opposition leaders. Belarus's opposition has never been a cohesive unit. Long ranging Western expectations about unified opposition fractions challenging the Lukashenko regime has created a certain "political show". Opposition leaders are willing to play the unity card before elections to gain Western support, but the underlining differences between the parties and the competition among their leaders to become the main opposition challenger during elections always trumped over cooperation. In addition, civil society organizations no longer have "regime change" as a key purpose, and their relations with the opposition have not been much of a priority.

Similarly, there are multiple interests and disputes within the government. These include reformers and law enforcement (or *siloviki*) tug of war, wherein the lines of interests are often blurred. The current conflict within the government is between the new generation of lawmakers and the "conservative

elements". The president needs to demonstrate decisive actions: the crackdown on peaceful protesters was not dictated by an obvious risk, but he needed to show he was in charge.

Incentives for political reforms are still weaker than old (policy) stereotypes. Priority is to fill state coffers, and one of the ways to do so is by [harassing large local businesses companies and businessmen](#). Reformers within the government are few and far between, dependence on Russia remains a limitation in considering reforms. Although Moscow is bailing Belarus out on a much lower scale, it is enough to keep its structural dependence. Radical forms of protests from opposition, or the fabrication of those, also help maintain the status quo, *siloviki's* influence and a conservative policy line. Reformers face a lack of legitimacy and lack of financing (both internal and external), which are main obstacles in their efforts. As the failed negotiations with the IMF suggested, reformers have to work hard to convince the conservative institutions, while in the end the president makes the final call about key steps.

Economy: Slow Motion

Belarus is out of recession but its growth is modest at [1.1% YOY](#). To compare, growth rate was averaging 9.9% per annum between 2004 and 2008, having [fallen to -0.5%](#) between 2012 and 2016. Such growth and convergence in the past were driven mostly by investment boom funded with direct and indirect state support. Growing external imbalances were financed via external borrowing, which led to debt accumulation and growing costs of its servicing: last year Belarusian government spent about [7% of GDP](#) for this purpose.

[Key factors](#) behind the current recovery are non-energy related exports increasing by 10%–20% YOY in real terms due to real depreciation of Belarusian ruble, Russia's economic recovery, and gradual recovery of domestic consumption and investment. Export of potash is growing, and exports of oil refinery products are about to recover due to the resolution of the recent energy conflict between Belarus and Russia. However, potential of the current recovery is limited as the Belarusian economic model that operated at the expense of Russian energy subsidies and debt accumulation has exhausted its possibilities.

The government is very cautious in terms of reforming the current economic model. Minsk exited from the negotiations with the IMF, while announcing further modernization of its key manufacturing enterprises and an ambition to make Belarus an [IT country](#).

Authorities succeeded in stabilizing the exchange rate (National Bank) and achieving fiscal consolidation (Ministry of Finance). As a result, inflation and interest rates have gone down, and Belarus managed to close its external financial gap due to a new loan from Russia and a drawdown of deposits. Savings [declined by almost \\$1bln](#) in the last 18 months, standing at \$6,8bln - the lowest since 2013.

The share of the private sector in the Belarusian economy increased considerably in the last ten years. The share of employment at enterprises with 100% state ownership [fell](#) from 51.2% in 2006 to 40.2% in 2016, but market capitalization remains low. Total number of traded domestic companies in 2016 in Belarus was 194 with total capitalization of \$5.3bln or 11.2% of the country's GDP. Out of this, 57% was generated by Belarusbank (the largest state-owned bank). As domestic savings are historically smaller than investments, external funding is of key importance. However, the volume of FDI has been at \$1.3-

1.5bln per year (mainly in the form of reinvested earnings) without significant changes in recent years, while at least three times more would be needed for economic development.

The IMF can “easily” reach a common ground regarding economic reforms with the government, but it has been difficult to reach the final agreement with the president. Main IMF requirements are state enterprise re-structuring and increasing utility bills. The Eurasian Development Bank’s requirement of reforms in the state sector, including privatization, is [not applied consistently](#).

Regional Security: Mitigating Risks

Belarus’s neighbors are getting anxious when their largest neighbor [flexes its muscles](#). In reality though, military exercises - at least [from 1981](#)- have been about Moscow (previously the USSR) establishing “coercive credibility” with the United States. In some analysts view this strategy is [effective](#) due to “help” of the alarmist voices coming from neighbors and amplified by Western military institutions and media.

A deeper look at the issues around Zapad-2017 military exercise does not match the concerns. The Suwalki gap is a hypothesis for a case of a full-scale war given that Russia has an enclave in Kaliningrad. An invitation for 80 international military observers is an attempt to ease the geopolitical tension in the region, [a policy](#) that Minsk has been pursuing since the Ukrainian crisis.

The high number of rail transport wagons, which has been [the original cause](#) of concern, [has been explained](#) as including all military transport between the two countries for the entire year of 2017. These numbers are not particularly high [compared to](#) 2009 or 2013 exercises. Russia is not bringing offensive (modern) equipment; what an invasion would require.

The total number of soldiers involved is difficult to estimate. The [official figures submitted by Russia and Belarus](#) total 12,700 troops, with 10,200 soldiers expected on Belarusian territory including 7,200 from Belarus and 3,000 Russian soldiers along with 680 pieces of equipment. NATO member states [suspect that Russia manipulates troop numbers](#) to avoid transparency under the OSCE’s Vienna document, according to which nations conducting exercises involving more than 13,000 troops must notify other countries in advance and invite observers. Western estimates are up to [100,000 soldiers](#). The difference may come from Western observers counting the National Guard and other paramilitary forces as well as forces that belong to Russia’s Western Military District (not participating directly, but being on alert). Either way, [no evidence to support](#) such high estimate has been made public.

Concerns have been voiced that in the past military exercise led to the invasion of Georgia in 2008 and of Ukraine in 2014. At the same time [Kavkaz 2008](#), the exercise held just before the Russia-Georgia war, showed that any “surprise attack” would come only after the exercise, utilizing the West’s notoriously short attention span.

As the Polish OSW’s [analysis suggested](#), Zapad-2017 is at “the core of the information war between Russia and NATO”. Some think Russia’s goal to show a [“larger-than-life military power”](#) has been achieved, with some help from the West.

What increasingly matters for Belarus' Western neighbors is that after the Ukrainian crisis, Minsk [has not entertained](#) the idea of joining NATO or the EU. Instead, GoB pursued a policy of integration with Russia. Belarus is not an integrated part of Russia's military security, but Moscow's objective is to make the two militaries as close as possible. For example, using Zapad-2017 Russia is likely to [use aircraft deployments](#) close to its neighbors' airspace.

Russia does not need to occupy Belarus as long as Minsk honors, at least rhetorically, its obligations. Occupying Belarus would bring the Eurasian Union to an end, and would keep increased level of Western sanctions on Russia indefinitely.

Belarus has maintained a degree of independence from Russia regarding the Ukraine crisis. The recently updated military doctrine of Belarus includes hybrid warfare among military threats, while "the plural wording [clearly indicates](#) that Minsk is also concerned about Russia's growing military might, and not only about NATO".

Lukashenko has gained leverage [by establishing himself](#) as Russia's most loyal partner, utilizing it mainly in form of "[forced](#)" [subsidies](#). But the time of high level Russian subsidies is over. Minsk will try further building trust with the West, and continuing to work with and appease Russia, as its only ally.

---END---