

Non-Paper¹

Belarus Reality Check 2012

Policy Review

December 19, 2012

1) The *Reality Check* is a new initiative which aims to convene regularly a *Review Group* to contribute to the formulation of a more effective policy towards the EU's Eastern neighborhood countries. The Review Group is to be composed of domestic and international analysts, practitioners, diplomats and policy makers.

2) The first informal meeting on Belarus was held in Vilnius, Lithuania, on November 20, 2012 hosted by the Ministry of Foreign Affairs of Lithuania.² The Belarus Review Group focused on three major issues: a) review of domestic (Belarusian) stakeholders; b) external (geopolitical) context review; c) potential recommendations for the Western policy.

3) The event was held in a closed format in order to encourage honest exchange (i.e. the reality check), while the group comprised of top Western and Belarusian analysts. A particular emphasis was placed on the independent character of the group in order to lead to a more evidence based and balanced type of policy advice. The summary of findings and recommendations are released - coincidentally on the 2nd anniversary of the last presidential elections in Belarus - in order to contribute to the public debate in and out of Belarus.

Policy Recommendations

4) The current position of the European Union – its demand for the release of all political prisoners – should remain the key line towards Minsk even though this means relations will remain in freeze. Communication of this position, however, should be upgraded. Firstly, it needs to be explained that there are currently no “hardcore” economic sanctions in relations with Belarus. The EU applies restrictive measures against certain individuals and companies. Secondly, the EU should communicate better inside Belarus why it does not see political prisoners as criminals, putting its position in the context of Belarus' international obligations.³

5) The EU should not take upon itself a role that should be played by local actors. Any such attempt may be seen by Belarusian citizens, and not just by the government, as interference in their country's domestic

¹ Unofficial document aimed at stimulating the debate.

² The Belarus Reality Check was organized with the support of and input from the Konrad Adenauer Stiftung (Germany), Pact (U.S.) and the Eastern Europe Studies Center (Lithuania). The non-paper is a peer reviewed summary of the discussion and does not necessarily reflect the opinion of the organizers.

³ As an example here one could quote the definition of political prisoners used in its own member states during the Communist era (e.g. in Hungary, Poland and Czechoslovakia, Franco's Spain) to avoid further politicization of the term. See <http://www.prnewswire.com/news-releases/quarrel-over-definition-of-political-prisoners-leads-to-split-in-the-council-of-europe-160679385.html>.

affairs. At the same time it can afford to be more transparent than the Belarus government while acting as a bigger partner that possesses strategic patience.

6) The definition of the “regime” should be universally understood. Contacts with the government should be encouraged if the political prisoners are released. However, there was no agreement within the group whether these contacts should be at the technical or at the ministerial level.

7) If the EU wants to be serious about sanctions (not the current restrictive measures), a study on the effect of potential tougher economic sanctions should be commissioned. Its purpose would be to find out what impact they have and whether it is worth expanding, diminishing the current list or abandoning it. Such a study should be made public: the EU should not try to compete with Belarus when it comes to the lack of transparency. The potential negative implications of the sanctions should also be kept in mind: the regime is capable of retaliation by escalating repressions at home, however the direct connection between sanctions and repressions is questionable and was contested by several observers.

8) The list of private businesses under the current restrictive measures could be reviewed regularly. If the argument that businesses are “resources of the Lukashenka regime” is accepted, then the next logical step is to consider all private business to be Lukashenka's allies since they pay taxes. The advantage is that such a move might harm the government coffers, but on the other hand, there is arguably no limit to such a list. Everybody paying taxes could be “allied” with the regime. Furthermore, restrictive measures do make Belarus more dependent on Russia and it will be harder and harder to withstand Russia's pressure for privatization of Belarusian companies.

9) Strategic patience could be considered as a more viable policy option: in practice, the EU has applied it towards Minsk already. However, strategic patience without a strategy was identified as one of the key problems of the current Western policy.

10) The EU policy of modernization should proceed with civil society and political parties. In addition, the EU should also consider an engagement within the Eastern Partnership with the state authorities. That could focus on issues of mutual interest such as environment, law approximation, energy security, food security, border management, visa facilitation, etc. Re-branding the dialogue to “Partnership for Modernization” could serve that purpose. At the same time, the EU could continue communicating to the society what modernization means and what citizens will gain through it.

11) The EU should not focus on uniting the opposition but rather on encouraging it to stop criticizing each other - gentlemen agreement instead of interpersonal fights. It should encourage them to reach out to the local population and raise the issues that matter to them such as economy and other subjects. Expectations of success should be put into a realistic context, though. The perceived - albeit neither written nor ever agreed on - expectation that the only success is the fall of the regime is unlikely to be fulfilled anytime soon. Western donors' primary focus should be at the local level, i.e. support for grassroots projects. In these cases success should be measured in terms of day-to-day relevance, realistic policy proposals, focus on local issues.

12) Political research has to be encouraged and supported; political parties should formulate their communication and outreach strategies (e.g. How should the oppositional political forces talk about privatization, elections, etc.) based on political, economic and social research findings. In this way, the pro-democratic political forces can get rid of their image as human rights fighters. In other words, instead of

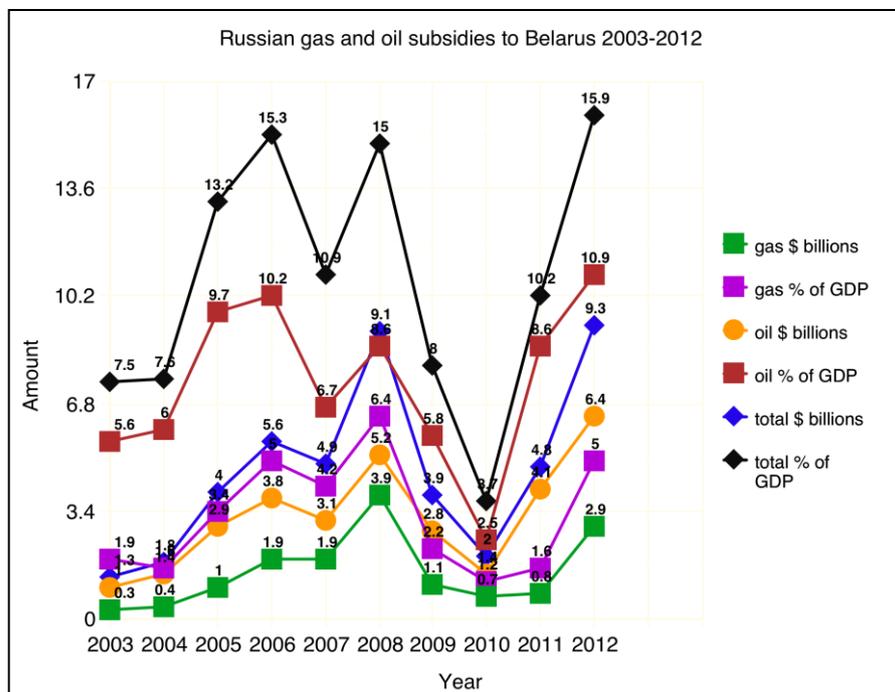
merely expecting the public to follow them, the opposition has to take into account what the population really wants. High standard of scholarly and analytical work can be – and should be – maintained even in an isolated policy-expert community as the one in Belarus.

Summary of Findings

Domestic Stakeholders Review:

13) Given the lack of trust between the West and Belarus and taking into account Minsk's own view of the current situation, there is very little the EU can do to improve the mutual relations without losing its face and backtracking on its previous demands. But the same could be said about Minsk's position, too, considering its own domestic and Russian audience (this latter is important in terms of extracting subsidies for Belarus).

14) This situation has led to the sanctions vs. engagement debate, which is a logical yet counter-productive consequence for a number of reasons. First, the current restrictive measures don't really affect the regime - that is unlikely to happen without Russia's assistance. Second, the status quo is a rational choice for both sides of the political spectrum: while the regime has no incentives to change the status quo, the opposition lacks the capacity to do so. As a result, those who would like to see some kind of (actually undefined) change in Belarus (according to the polls⁴, a large part of the population would support such - again, undefined - change) have no representative institutions.



⁴ See, for example, the erosion of the image of a strong leader by the Independent Institute for Socio-Economic and Political Studies (IISEPS) at <http://iiseps.org/epress4.html> (in English). Nevertheless, support for the opposition is trailing less and shows no strengthening trends since the last 2010 presidential elections.

15) This surprising opposition-regime 'status quo consensus' has been an obstacle to change and is increasing the value of loyalty toward either of the two sides. Reacting to the demands of the opposition, the West has elevated the 'sanctions vs. engagement' debate from tactical to the strategy level. Because the West has a limited ability to persuade opposition politicians to abandon this unproductive debate, it has also little hope of seriously influencing the official circles. These are, by any measure even less dependent on the Western engagement and more indifferent to it.

16) The EU policy does not appear to be strategic, be it in the short-term or long-term. It is usually the case that either Belarus seems to be too small or irrelevant to current Western priorities, or Western policymakers look at Belarus through the prism of their country's relations with Russia. Therefore, the current three-track EU policy (restrictive measures; support for civil society and opposition; policy for modernization) is mostly seen as a reaction to Belarus' image as the "last dictatorship in Europe", which is actively promoted at home by the regime and abroad by the opposition. But building an authoritarian state in Belarus required lower levels of repressions compared to other CIS countries. As a result, the long-term - unwritten and not agreed - expectations of the "regime change" remain unfulfilled which has led to a growing sense of frustration among those engaged in or on Belarus.

17) Change will be accelerated by Belarusians and should be encouraged from within the country rather than from abroad. In order to accelerate a change from within, political parties should finally focus on re-branding their ideas by taking into account the concerns of the population.⁵ Even the very understanding of the "opposition" would be useful to re-brand because currently the majority of the population opposes both President Lukashenka and what is labeled as the "opposition".⁶ This is achievable as usually campaigns by political parties resonate much more in the public opinion polls than the parties themselves or their leaders.⁷

18) After the dramatic events following the December 19, 2010 elections and the subsequent crackdown, Belarus remains under the President's control. But his inner circle is shrinking as the regime transforms from an inclusive authoritarian regime (anchored in public support) to an exclusive crony state (relying on support of certain clans/personalities). At the same time, to retain power, Lukashenka has no other option than to use his same old tactic of divide and rule as it is in his and the current regime's interest not to allow any clan/personality to strengthen their grip on power. But this tactics may backfire as it limits the foundations of the exclusive crony state that is emerging: in the future, there might be less money and, therefore, less stability than previously. For the moment, however, the existing social filter – i.e. anyone can leave and people do leave, especially to Russia – so far works in favor of the regime's elite consolidation.

19) The main question is how the current functioning of the system is financed. Depending on various GDP growth estimates as well as on the actual implementation of the promise to raise the average monthly salary up to \$500, Belarusian economy needs billions of dollars annually to guarantee the social contract

⁵ As a back-up 80% Belarusians care about economy but opposition devoted only around 3% of their media output to these issues, see at Media Barometer Survey at http://www.belinstitute.eu/index.php?option=com_content&view=article&id=1452%3Aq-bissq-2012-&catid=11%3Apolitics&Itemid=28&lang=en (in English).

⁶ For more information, see more BISS polling memos and particularly at http://www.belinstitute.eu/images/doc-pdf/biss_pm04_2012en.pdf (in English).

⁷ According to unpublished public opinion polls measured the Tell the Truth` Citizens Contract has reached 39%, while the campaign of the unregistered Belarusian Christian Democratic Party` trailed at 24 % (data provided for the Reality Check meeting).

between the regime and the population.⁸ Minsk expects to “raise” most of these funds from Russia as it expects that the geopolitical situation is favorable thanks to the ongoing formal integration process towards the Eurasian Economic Union. External observers need to understand that what often looks like an erratic behavior either by the regime or the opposition is in fact backed by their partners: Russia in the case of the Minsk authorities and the West in the case of the political opposition.

20) When the Russian subsidies are drying off, the Belarus state attempts to siphon off the resources from the productive sectors. The expropriation of the confectionary companies Spartak and Kommunarika, the president’s recent infamous decree about the forced labor in the wood processing industry are pointing toward such direction. There are signals sent to the construction and shoe and industry as well as a new law what would allow to send state representatives into every company that was created through privatization, even if the direct stake of the state there is 0%. All these may herald the return to a similar 2001 policy. The Belarus bureaucracy creates mechanisms to keep businesses “fit” and stressed.

Geopolitical Review:

21) Minsk expects Russia to continue providing subsidies for Belarus since there is currently no alternative that would serve Russian interests better than Lukashenka. Moscow may have the resources to overthrow the current regime but the possible unpredictability may come at a higher cost. Therefore it is not really interested in (regime) change. Although there has been growing reluctance in Russia to meet Minsk's increasing demands for subsidies (some of) these are likely to be continued. The bilateral conflicts and disputes are there because this is the way Belarus extracts concessions and makes Russia pay for its alliance; less extent because Russia enforces change. The question is, however, whether Belarus' growing financial requests to Moscow can simply be met without increasing Russia's expectations from the regime.

22) Today, the EU does not have resources to compete with Russia’s support, which leads to the current impasse. Those who should be potentially interested in change (i.e. opposition) have no capacities to alter the status quo while those having the capacity to do so (i.e. the government), have no incentives as long as Russia is footing the bill. Given Belarus is not attracted to what the EU offers, the West misses a “carrot” to exercise influence over Lukashenka. The experience of the EU's policy on modernization has shown that a) the EU should not act as a local player; b) current opposition and civil society does not have the necessary capacity to assume the role of the only local player. At the same time, the EU’s restrictive measures by the general population as a policy tool used to fulfill the demands of the political opposition. As a result, thanks also to the state propaganda machine, the EU is seen as a protector of the political opposition.

⁸ Estimates are between \$5bn and \$17bn. These came from a modeling exercise from senior Belarusian economists. The exercise was based on four scenarios: baseline, devaluation, emission, favorable. Based on this the conclusion was made that to finance the current account deficit of Belarus for the next 3 years the authorities would need between \$5bn (favorable scenario of around 3.5 annual FDI (green field) inflow in addition to \$2bn attracted in from privatization - annually) and \$17bn (relaxed monetary policy in 2013) net increase of external debt. According to the latter scenario the gross increase of external debt during these 3 years should be approx. \$9 bn. Estimates took into account quite an optimistic scenario in terms of oil agreements with Russia (no solvents, but oil import of 23m tons annually).