



## STRUGGLE FOR BELARUS

Privatization in Belarus continues. Some experts argue that its process, conditions and estimated prices of enterprises let us believe this pretended privatization is being carried out in order to please IMF rather than to stabilize the economy. However, announcement of the possible sale of 20 percent of the strategic enterprise *Belaruskali* proves that Belarusian authorities are really short of financial resources. Not surprising was the fact that the most likely buyer of this share is China. Relations between Belarus and China continually intensify, particularly in the spheres of economy and supply of military equipment. More about the peculiarities of the Belarusian privatization and who will

save the Belarusian economy read in *Pavel Usov's* contribution.

Expansion of Russian and Chinese businesses in Belarus cannot be dissociated from the political context. While observing constant turmoils in Belarus – Russia relations and favouritism of Chinese investments let's take a look at what role the EU plays in order not to let Belarus drift away from Europe. The article by the EESC analyst *Zivile Dambrauskaite* presents an overview of EU-Belarus relations over the last decade, identifying problems, mistakes and perspectives.

*Julija Narkeviciute, Editor*

## PECULIARITIES OF THE BELARUSIAN PRIVATIZATION

*Pavel Usov, New Europe*

The main feature of the privatization process in Belarus is its absence. The authorities have repeatedly claimed that the Belarusian economy is open for Western businesses and investment, however, the country's economy continues to be closed and regulated while privatization is very limited in scope. In other words, the political regime, suffering the lack of financial resources, still prefers to keep control over the economy, thus preventing unexpected changes in the political system.

The main goal of the Belarusian privatization is to attract investment without being obliged to transform its economic or social foundations. Therefore the political regime in Belarus is looking for partners not in the West but among countries with similar forms of governance. Western investors demand legal guarantees for their businesses while the legal framework in Belarus is far from perfect, what is more, it often fails to function. Serious business in Belarus is possible only by expanding a personal network of 'protectors' among top officials in governmental institutions. Businesses from undemocratic countries are a lot more acquainted with such schemes of doing business.

### Russian Business and Politics

Russian business playing the primary role in the privatization process is an important feature of Belarusian privatization. Despite regular conflicts and 'wars', Belarus still remains an important object for Russian business and capital. The following circumstances influence this tendency.

First, there is a lack of internal financial resources and big national businesses in Belarus that could compete with Russians.

Second, the orientation of the Belarusian economy towards the Russian market, strong energy and export dependence on Russia helps Russian capital enter the Belarusian market.

Moreover, the union state ensures both openness of state borders and easy access to the Belarusian market.

Political and administrative restrictions as well as unfavorable conditions for Western investment that cannot compete with Russian businesses is yet another factor determining the dominance of Russian investments since Western business in Belarus is represented only by small and medium companies.

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## All big Russian businesses are present in the Belarusian economy.

A. Lukashenka and his inner circle monitor closely the process of privatization and exercise complete control over the entrance of Russian businesses onto the market. On one hand, Russian big businesses have better and faster chances to make necessary arrangements with A. Lukashenka. On the other hand, such order of things creates a direct threat for the economic security of the country. Yet under conditions of the global financial crisis huge financial resources in the hands of Russian businessmen makes their investments capable to ensure stability of the Belarusian economy.

Finally, in order to strengthen positions of Russian businessmen Moscow pursues protectionist policy in order to retain its political influence in Belarus.

As early as in the beginning of the new century a well-known Russian politician Anatoly Chubais claimed Russia should become a 'liberal empire'. In other words, Russia should exert control over its neighbors, primarily over the former Soviet states, by using financial means, economic and energy leverages. Apparently Moscow seems to succeed in fulfilling this objective in Belarus.

Already in 2009 Russia created a Business Council for Cooperation with Belarus that gathers over 70 CEOs of Russian companies and enterprises, as well as representatives of the Chamber of Commerce and Industry and its regional departments, MFA, Ministry of Economic Development, Ministry of Industry and Trade, and the Permanent Committee of the Union State. The Council is co-founded by the Russian Chamber of Commerce and Industry, VTB Bank, the State Specialized Russian Export-Import Bank, Joint-stock bank *Rosbank*, closed joint-stock company *Yarovit Motors*, open joint stock company *Rosagroleasing*, and closed joint-stock company *AtomStroyExport*. Members of the Council are small and medium companies and enterprises of the Russian Federation as well. The chair of its Supervisory Board is Mr. Pastukhov, senior vice-President of the Chamber of Trade and Commerce of the Russian Federation. The functions of chairman of the Business Council and chairman of Board of Directors are carried out by Mr. Biryukov, president of *Yarovit*.

All big Russian businesses are present in the Belarusian economy. Moreover, despite highlight declarations by A. Lukashenka, they are gradually anchoring in Belarusian industry and banking spheres as well as in service sector. Among the most known Russian corporations that entered the Belarusian market the following should be mentioned: *Gazprom*<sup>1</sup>, *Transneft*, *Lukoil*, *Alfa group*, *Severstal*, financial stock corporation *System*, *Uralkalii*, *Russian railways*, *Rosatom*, *Rostekhnologii*, rocket space corpo-

ration *Energy*, *Vneshekonombank*, *Vneshtorgbank*, *Sberbank of Russia*<sup>2</sup>, etc.

Russia is the main creditor to Belarus. Since 2007 the total value of loans received from Russia amounted to 3 billion dollars.

The country's leadership is trying to outweigh economic and financial dependence on Russia. For the first time in 15 years of A. Lukashenka's rule, Belarus addressed the IMF that rendered Belarus a loan worth 2.87 billion dollars.

However, dependence on Russia or IMF is evenly dangerous for the political regime. Condition set by Russia for crediting the Belarusian economy is privatization of Belarusian enterprises by Russian businesses, whereas the IMF sets the condition of economic transformation in the country. Fulfilling either of the conditions the Belarusian political regime loses the possibility to control the internal processes in the country.

### Will China Save the Belarusian Economy?

In the given circumstances the Belarusian leadership began to search for other sources to finance the national economy without threatening economic security and political stability. China seems to be one of the safest partners in this case. Certainly, A. Lukashenka has been actively entering into contacts with other undemocratic states such as Venezuela as well. Nevertheless, China excels any possible partner in political weight and economic might. There are a number of indices that China is becoming an important strategic partner<sup>3</sup> for Belarus.

First, high ranking officials of both countries regularly paid visits to each other. Vice president of Chinese People's Republic Xi Jinping visited Minsk in March 2010.

Second, in 1997 commodity turnover between Belarus and China was a bit over \$100 million, whereas in 2006 it exceeded \$1 billion. According to the official data, in 2009 the commodity turnover reached almost \$2.5 billion. Belarus exports potash fertilizers, caprolactam, mine trucks and spares, synthetic thread, tires, electronic microcircuits and micro assemblies as well as products of machine-building industry. There is a number of Belarusian enterprises that have their representation offices in China: closed joint-stock (CJS) enterprise *Belarusian Potassium Company*, manufacturing republican unitary enterprise MWTP (Minsk Wheel Tractor Plant), manufacturing association (MA) *Minsk Tractor Works*, MA *BelAZ*, JSC *Integral*, republican unitary enterprise (RUE) *Belarusian Steel Works*, MA *Gomselmash*, RUE *Belneftekhim*, and air company *TransAviaExport*. In its turn, China supplies Belarus with equipment and raw materials. A number of

1 In February 2010 the authorities of Belarus completed the transaction with *Gazprom* selling 50% of *Beltransgaz* stock to the Russian monopolist for \$2.5 billion. The Russian corporation is interested in buying the control stock of *Beltransgaz*.

2 As a result of negotiations in 2010 *Sberbank of Russia* has become a permanent consultant for the Belarusian economy. It is expected that *Sberbank* will start crediting a number of Belarusian enterprises in the coming months. Most probably, crediting will be directly linked to their privatization by Russian business structures.

3 "Lomat: Belarus will expand investment cooperation with China", <http://telegraf.by/2010/03/lomat--belarus--rasshirit-investitsionoe-sotrudnichestvo-s-kitae.html>.

**China is essential for Belarus as a new market for selling industrial products, yet Belarus can be important for China only from a political outlook.**

Belarusian companies have their representatives and dealers in China who are working on creation joint production enterprises there.

Last but not least is the significance of signing the contracts worth \$3.4 billion between Belarus and China. In addition, China will provide Belarus with a consessionary credit of \$1 billion for implementing the projects approved by both parties and give Belarus a grant of 60 million yuans (about \$ 8.8 million)<sup>4</sup>.

Chinese grant of 8 million dollars should rather be considered as a symbolic act of support. The billion-dollar contracts will hardly save the Belarusian economy since the parties reached an agreement regarding those contracts, implementation of which will depend on a number of factors. It seems quite unlikely that Chinese businesses will be able to displace Russian ones and to restrain Russian economic expansion. However, the Belarusian leadership is intensively creating an illusion that China will help Belarus in solving economic issues. A. Lukashenka exploits this myth trying to prove to the neighbors that neither Russian, nor European assistance is not needed. Possibly, the governor of Belarus hopes to get economic support from China on the basis of principles that worked with Russia until 2010, i.e. long and true friendship. A. Lukashenka is trying to persuade the Chinese leadership that Belarus is its faithful ally in Europe and the 'prop on the

European continent'<sup>5</sup>. Obviously, Belarus needs cash. However, China is not rushing to finance the Belarusian regime and will not be willing to do so in the future.

It's difficult to imagine anyone selling friendship assurances to China. It is a pragmatic country looking only after its own interests. China is essential for Belarus as a new market for selling industrial products, yet Belarus can be important for China only from a political outlook.

One should not forget that the China, uncharged with moral obligations to support democratic values and the human rights, is actively cooperating with many dictatorships. Development of relations between China and Belarus should be considered within the framework of China's geopolitical interests. It is becoming a global geopolitical player. Although at present China refrains from direct and open interference in global geopolitical processes, we should nonetheless expect that in the future this country might declare its geopolitical claims. China is already attempting to create its own 'zones of presence' on all continents (Chinese presence is mostly notable in Africa). Belarus can become such a 'zone' on the European continent where China has little political influence. Besides, China and Belarus have common grounds – the similarity of political systems and human rights problems. Both countries seem to benefit from mutual support on the international arena.

4 "Belarus-China: reliable partners and true friends", -<http://www.respublika.info/4967/topic/article38128/>.

5 Ibid.

## EU POLICY IN RELATION TO BELARUS IN 2000-2010: PROBLEMS AND POSSIBILITIES

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The article aims at answering the following questions: how and why the EU-Belarus relationship was altering in the recent decade? What are the major problems of the EU policy with respect to Belarus? What are the prospects of the EU policy towards Belarus – is it possible to induce transformation of the existing regime from outside?

Let us first give an overview of the dynamics of the EU-Belarus relationship in order to respond to the posed questions.

### **Dynamics of the EU Policy with Respect to Belarus**

*1995 – 2004. Isolation of the 'Belarusian problem'*

One of the major problems of the EU-Belarus relationship in the given period is the shortage of institutionalized partnership and absence of consist-

ent EU policy towards Belarus. Democratization of the post-soviet states after the Cold War made it possible to believe that the given processes would not bypass Belarus either. Moreover, Belarus was 'far away' from the EU in geographic as well as in political sense – Belarus was neither a direct EU neighbour, nor a candidate country and this was the reason why political dynamics of Belarus was not considered as the 'EU's headache'.

The referendum in Belarus in 1996 that extended President A. Lukashenka's term of office down to 2001 became the first 'disappointment' of the EU with respect to Belarus. The given referendum precluded the Partnership and Cooperation Agreement reached in 1995 between the EU and Belarus from entering into force.<sup>1</sup> Thus a vacuum of the institutional political cooperation appeared. Yet

1 Margarita M. Balmaceda, Sabine Fischer, Grzegorz Gromadzki, Andrei Liakhovich, Astrid Sahn, Vitali Silitski and Leonid Zlotnikov *Back from the cold? The EU and Belarus in 2009*, Institute for Security Studies, 2009, < <http://www.iss.europa.eu/uploads/media/cp119.pdf>>.

**In the period of 1995-2004 Belarus participated in all initiatives launched by Russia aimed at integrating the CIS space.**

the EU perceived it as a resolution of the problem rather than part of it.

In the period of 2000-2004 undemocratic tendencies of the Belarusian political regime intensified, starting with direct repressions and undemocratic elections in all levels of governance and ending up with alterations of the legal basis regulating activities of mass media and NGOs. In 2004 the EU started imposing sanctions on the Belarusian regime by declaring non-issuance of visas for Belarusian officials responsible for the holdout of the cases of the missing persons. In 2006 the given list was extended by including the persons responsible for the violation of international standards of holding elections. The EU chose the strategy of isolation expecting the isolated political system and economics of Belarus to "overheat" itself.

Two major problems of the given policy were the following. First, Belarus was isolated only with respect to the EU but not Russia. Belarus not only failed to stay 'lonely', that type of policy made A. Lukashenka turn to the East for support. In the period of 1995-2004 Belarus participated in all initiatives launched by Russia aimed at integrating the CIS space. Second, isolation of Belarus and the development of the EU relations with other neighbouring eastern countries resulted in isolation of Belarus from other countries of the region as well. This was the reason why the processes of democratization of the neighbouring East failed to affect Belarus, which in the meantime was developing stronger and closer ties with Russia.

*2003/2004 – 2006. Towards the 'Two-track' Strategy*

'Colour revolutions' in the Ukraine and Georgia encouraged expectations that perhaps this time Belarus would manage 'to catch the train of democratization'. Besides, for the first time post-soviet states acceded the EU arousing hope of a successful cooperation with other post-soviet states – the new members of the EU became the 'advocates' of the eastern neighbourhood inside the EU. Just as important is the fact that the external border of the EU approached Belarus which meant that at least minimum cooperation is inevitable to ensure stability in the region.

Yet the internal developments in Belarusian soon after the initiation of the European Neighbourhood Policy (ENP) prevented its inclusion into the ENP format whereas the 'revolution' collapsed even prior to its outset. The referendum of 2004 that was deemed unlawful by the international community granted A. Lukashenka the constitutional right to the lifelong presidency and the presidential elections of 2006 were deemed undemocratic.<sup>2</sup> This induced the EU to impose additional sanctions on the Belarusian regime: to seize the EU deposits of the persons responsible for the illegal procedure of the elections. On the other hand, it became

evident that the EU instruments of leverage used in its relations with Belarus were not sufficient. The strategy of the EU 'sanctions bearing human face' had to be accelerated (the essential principle of the imposition of sanctions on Belarus was to ensure that the sanctions had to do only with the political regime; alongside with the isolation of the regime the support for the democratic forces of Belarus and the development of civic society was scheduled). That is why in 2005-2006 Belarus became the priority country for the Initiative to Support the European Democracy and Human Rights and prior to 2007 the European Instrument for Democracy and Human Rights was adjusted to finance NGOs unregistered in Belarus.<sup>3</sup> Nevertheless, clear-cut conditions had to be defined what and what for the EU may propose to the Belarusian regime and Belarusian people. In December 2006 the European Commission distributed a political document which defined the support and the privileges to the Belarusian people that could be granted if the Belarusian regime implemented the conditions listed in the document.<sup>4</sup>

The said document became the main paper defining the EU-Belarus relations and the possible consolidation of cooperation. The initiative of the EU, however, to induce the Belarusian society to alter the regime from inside produced practically no impact: Belarusian NGOs and the opposition failed to communicate the given message to the Belarusian society and mobilize it whereas the Belarusian Government paid practically no attention to the document in question. The concept of the 'two-track strategy' was formed in that period: at least minimum contacts with the official Minsk were necessary due to the enlargement of the EU; on the other hand, it was pointless to expect radical changes of the regime, therefore it was logical to set pre-conditions and make the regime take liberal decisions by applying to them at the same time supporting the Belarusian civic society and democratic forces.

*2006 - 2008. Crisis of the Russian – Belarusian Relations and A. Lukashenka's "Turning back" to Europe*

In 2006-2007 when Russia started to gradually decrease energy subsidies to Belarus the Government of Belarus formulated *The New Foreign Policy* the basic principles whereof were the following:

Diversification of the import of energy resources. The given trend of the new A. Lukashenka's policy was first of all devoted to the 'internal consumption', i.e. to show the society, that the President himself takes up the problems of the supply of energy resources. In 2007 A. Lukashenka was active in developing bilateral relations with countries that were able to propose an alternative to the energy resources of Russia (Venezuela, Iran, Azerbaijan,

2 George Dura *The EU's Limited Response to Belarus' Pseudo 'New Foreign Policy'*, CEPS, 2008, <<http://www.ceps.be/book/eus-limited-response-belarus-pseudo-new-foreign-policy>>.

3 European Commission *EU-Belarus Relations 2003-2005*, <[http://ec.europa.eu/world/where/belarus/index\\_en.htm](http://ec.europa.eu/world/where/belarus/index_en.htm)>.

4 European Commission Non-Paper *What the European Union could bring to Belarus*, <[http://ec.europa.eu/external\\_relations/belarus/index\\_en.htm](http://ec.europa.eu/external_relations/belarus/index_en.htm)>.

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Nigeria and Norway). The same year we first learned about Belarus intentions to construct a nuclear power plant aimed at strengthening energy independence from Russia. The goal of the import of alternative energy resources remained very difficult to attain due to high prices, which exceeded even the increased prices for the Russian oil and gas whereas possibilities to invest into the energy infrastructure without applying for financial support to Russia were non-existent.

Attraction of foreign investments and improvement of the investment climate. Relationship crisis with Russia liberated the President's administration from the illusions about Belarusian 'economic miracle' - it grew evident that centralized and closed economics of Belarus had no future. In 2007 individual Belarusian ministries, agencies and state enterprises were instructed to submit proposals concerning the improvement of the Belarusian investment climate.<sup>5</sup> One of the most important goals was attraction of foreign investments and technologies (first and foremost, those of the EU countries). The following measures were envisaged as the most important: deferring of payments to investors, revocation of the 'golden share' mechanism<sup>6</sup>, 'selling out' of unprofitable state enterprises, preferential terms for Belarusian enterprises, that had taken credits abroad, reduction of the restrictions in jobbing the shares of enterprises. Alongside with the given measures the list of 519 state enterprises, which had to be reorganized in 2008-2010, was made and that of 147 enterprises, which had to be privatized in three years. Irrespective of that, liberalization of the economy was rather restricted and related only to some sectors of the economy and in the majority of cases – only to individual enterprises.<sup>7</sup> The new economic policy was dissociated from the normalization of working conditions therefore there was no positive reaction from the EU. In 2007 Belarus was expelled from the Generalized System of Preferences as a result of the conclusions made by the Commission of the International Labour Organization (ILO) related to the unacceptable relations of the authorities with trade unions (that decision brings Belarus around 400 million Euro annual losses).

Cooperation with the EU in the fields of common interests. In 2007 the Government of Belarus submitted a proposal to the EU on the cooperation in the fields of energy (physical safety of oil and gas pipelines), transport and combating illegal migration. The EU, however rejected the given proposal – irrespective of the cosmetic liberalization of the

economy there was no positive democratic dynamics in the internal policy of Belarus.<sup>8</sup> The year 2007 revealed quite clearly the boundaries of the EU possibilities to exercise impact on Belarus: the relationship of Russia and Belarus is based on the primitive 'barter' exchange, i.e. Russia's support is given as an exchange for some concrete 'services', for example, the permission to acquire strategic objects or political support. It is granted quickly enabling the Belarusian regime to use gained support to solve internal problems and thus take the merits. Meanwhile the merit of the cooperation with the EU is indirect, diffused, aimed at the economy and the society in general. Such support fails to grant the regime the possibility to take the merits. Besides, proposing its support the EU poses certain preconditions not related to concrete political exchange. The EU never asks for Belarusian 'services' as an exchange for its support, the EU requests certain alterations of the Belarusian regime itself and that is why the costs of cooperation for Lukashenka's regime are far too high.

Irrespective of that, the need to modernize the Belarusian economy as well as the military Russian-Georgian conflict made Belarus reflect one more time upon the merits of the rapprochement with the EU.

#### 2008-2010. 'Thaw' in the EU-Belarus Relations?

The period of 2008-2010 should be considered as that of the breakthrough in the EU-Belarus relations: the EU decided to give to A. Lukashenka's regime a certain dose of 'advance trust', i.e. to show that the EU is prepared to be flexible in making some concessions to Belarus if the dynamics of the Belarusian internal policy continues to be positive. In principle, this decision put an end to the period of isolation of the official regime of Belarus.

#### Institutional rapprochement:

- In September 2008 a decision was taken to revise the preconditions set by the EU to Belarus, the provisions of the 2006 document were made more flexible and more streamlined so that any positive dynamics of the Belarusian political regime could enhance mutual cooperation. In October 2008 a decision was made to resume the political dialogue with the Government of Belarus<sup>9</sup>.
- In October 2008 the EU revoked its first sanctions – rejection of visas for the top officials of Belarus was provisionally cancelled for six months with a possibility to extend the term

5 George Dura *The EU's Limited Response to Belarus' Pseudo 'New Foreign Policy'*, CEPS, 2008, <<http://www.ceps.be/book/eus-limited-response-belarus-pseudo-new-foreign-policy>>.

6 The given mechanism allowed the state to overtake control of an enterprise, irrespective of the share of stock that the state owns in that enterprise. Such a takeover was possible in case authorities decided that state interference was necessary due to unqualified enterprise management or a threat to the wellbeing of staff, unavoidable bankruptcy etc.

7 Kamil Klynski, Agata Wierzbowska-Miazga *Changes in the Political Elite, Economy and Society of Belarus. Appearances and Reality*, Centre for Eastern Studies, 2009, <<http://pdc.ceu.hu/archive/00005819/>>.

8 George Dura *The EU's Limited Response to Belarus' Pseudo 'New Foreign Policy'*, CEPS, 2008, <<http://www.ceps.be/book/eus-limited-response-belarus-pseudo-new-foreign-policy>>.

9 Margarita M. Balmaceda, Sabine Fischer, Grzegorz Gromadzki, Andrei Liakhovich, Astrid Sahn, Vitali Silitski and Leonid Zlotnikov *Back from the cold? The EU and Belarus in 2009*, Institute for Security Studies, 2009, <<http://www.iss.europa.eu/uploads/media/cp119.pdf>>.

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thus giving time to the Government of Belarus to take up positive reforms<sup>10</sup>.

- In 2008 three EU 'troika'<sup>11</sup> meetings with the representatives of the Belarusian Government took place, the European Commission commenced technical consultations with state agencies on the possible fields of cooperation.
- In May 2009 Belarus was invited to participate in the East European Initiative, in June the EU-Belarus dialogue on issues of human rights was initiated.

Political rapprochement:

- In February 2009 the High Representative for the Common Foreign and Security Policy of the EU Javier Solana visited Belarus.
- In April 2009 visit of the President of Belarus to Italy took place. The Belarusian governor met the Italian Prime Minister Silvio Berlusconi and Pope Benedict XVI.
- In June 2009 the EU Commissioner of External Relations Benita Ferrero-Waldner made an official visit to Minsk.
- In September 2009 an official visit of the President of Belarus to Lithuania took place.

To sum up the above dynamics of the EU-Belarus relations the following EU dilemmas in the relations with Belarus may be singled out.

First, since Belarus 'became the headache of the EU' only after the enlargement and after the revolutions in Georgia and the Ukraine, the EU attitude towards Belarus in terms of its goals and foreign policy instruments altered almost radically in the last decade: from the isolation of the Belarusian problems to radical expectations to alter regime in 2004 and finally towards the goal to transform the regime gradually. Today the EU policy towards Belarus is in fact oriented to a method, i.e. the ES pre-sets conditions and uses respectively either sanctions or privileges. The greatest drawback of the given policy is an inherent inconsistency and slow progress. Cycles are typical for the Belarusian political life. Unfortunately, the EU policy still depends on these cycles: tightening of the control of mass media and civic society prior to each election period vs. 'turning back to Europe' each time negotiations on energy resources with Russia are taking place; making closer integration with Russia after the EU voices its dissatisfaction with the process of elections vs. assumption of international obligations of liberalization when loans from the international institutions are asked; initiatives to 'soften' the regime vs. dissatisfaction of the Belarusian opposition with the EU contacts with the official Minsk, etc. One of the biggest challenges for the EU in this case is to shape a

consistent policy towards Belarus and determine concrete measures that are independent from the said political cycles.

### Possibilities to Enhance Transformation of the Present Belarusian Regime From Outside

*Is it Possible to Enhance Economic Liberalization of the Regime?*

The scope of liberalization of the economy of Belarus in 2008 is insignificant in terms of market economy but the majority of experts agree that for Belarus that was a fundamental leap forwards. Although A. Lukashenka's regime chose the 'Russian pattern' (partial opening for foreign investments and technologies without any essential structural reforms) for modernization of its economy and the consequences of the world financial crisis forced to slow down the rate of privatization, a 'hunger' for foreign investments and technologies remains one of the most significant levers in the hands of the EU. Alterations of the Belarusian elite that took place alongside with the said reforms make it possible to forecast that successful partial liberalization of the economy would ensure a need for deeper reforms in the future.

*Alterations of the Ruling Elite and Their EU-Russia Orientations*

The year 2007 was significant for Belarus in terms of the alteration of the ruling elite. Oligarchic system of the elite in its classical sense does not exist in Belarus – all elite groups are strictly controlled directly by the President himself by means of stable reshuffling of posts' system as well as due to overlapping jurisdictions of institutions. Prior to 2007 welfare and property of the nomenclature was directly linked with appointments by the President as well as associated with a post held<sup>12</sup>. In terms of the political influence the Belarusian nomenclature possesses only an advisory status, therefore it offers no ideological competition to the President. Prior to 2007-2008 the most influential elite groups in Belarus were the so-called 'siloviki' (people of force<sup>13</sup> - heads of the power structures: Secretariat of the Security Council, KGB, Ministry of the Interior) and the Mogiliov clan – the circle of A. Lukashenka's closest friends and fellow-countrymen. Both groups are highly pro-Russian and conservative.

The year 2007, however, brought some changes. Victor Lukashenka (A. Lukashenka's son) was appointed the member of the State Security Council by the President's decree. The hope that V.

10 Nicu Popescu & Andrew Wilson *The Limits of Enlargement -lite: European and Russian Power in the Troubled Neighbourhood*, European Council on Foreign Relations, 2009, <[http://ecfr.3cdn.net/66e95c3cd50b72d59a\\_87m6y59xi.pdf](http://ecfr.3cdn.net/66e95c3cd50b72d59a_87m6y59xi.pdf)>.

11 EU 'troika': Foreign Minister of the presiding state in the EU Council, a representative of the EU foreign policy, the EU Commissioner for foreign relations.

12 Kamil Klysinski, Agata Wierzbowska-Miazga, *Changes in the Political Elite, Economy and Society of Belarus. Appearances and Reality*, Centre for Eastern Studies, 2009, <<http://pdc.ceu.hu/archive/00005819/>>.

13 The term 'siloviki' (from Russian 'silovye struktury' – structures of power) defines special elite groups in Belarus and Russia. They are top officials of the state security, law and order and heads of the armed forces that are united by several features: most often 'siloviki' have inherited their posts from the times of the Soviet Union, they have uniform world outlook, interests and cooperation in pursuance of their goals. The most significant features of their world outlook are the aspiration to consolidate and concentrate the power of the state, anti-western attitudes, aspiration to monitor and weaken the economic elite of the state, etc.

The need to modernize the Belarusian economy as well as the military Russian-Georgian conflict made Belarus reflect one more time upon the merits of the rapprochement with the EU.

Lukashenka would succeed the present President in his post commenced the formation of the new elite group – dynamic and ‘modern’ young people who have no ties whatsoever with the clans of the old nomenclature. Members of the ‘youth group’ are representatives of the administration of the President, heads of the public analytical institutions, Central Bank and border control officials. The task of the new group was a gradual takeover of the control of law and order as well as security institutions and thus ousting the old ‘siloviki’ and the Mogiliov clan. In 2008 on the initiative of the President the reshuffle of posts in power structures took place and repeated ‘cleansings’ were undertaken for the benefit of the ‘youth group’<sup>14</sup>.

In 2008 the restructuring of the public enterprises and other presidential decisions made it possible for the nomenclature to obtain property and make their income legal. This was a chance to consolidate the power of one more – so far less influential – group of technocrats (heads of major state enterprises). Besides, this granted so far non-existent economic liberty to the Belarusian elite<sup>15</sup>.

What prospects are opened to the EU policy by the given changes? Unlike ‘siloviki’ and Mogiliov clan the arising elite of today is not ideologized. The basic task of the given groups is to protect the Belarusian economy from bankruptcy and at the same time to ensure state sovereignty on which their positions depend. That is why the new elite do not support integration with Russia, the more so that it is incapable of helping Belarus to implement technological modernization. The new elite pay greater attention to cooperation with the West. It has to be noted that new leaders are westernized and pragmatic but not democratic – they seek to consolidate their influence which is indispensable to the consolidation of the regime. Therefore, long-term alterations of the Belarusian elite may mean that the EU could expect more pragmatic and more easily forecast partnership with Belarus but it may not expect Belarus to become a European democratic state.

*Opposition and the Society of Belarus: Are They Pillars of the New EU Policy or a Challenge?*

A paradox of the EU-Belarus relations is the fact that Belarusian democratic powers, perceived by the EU as an engine of possible changes, today are the greatest critics of the EU policy. The majority of the representatives of the United Democratic Forces of

Belarus are of the opinion that under the conditions of economic recession the West should have either completely isolated A. Lukashenka’s regime and should have demanded democratic reforms while developing the dialogue with the direct participation of the opposition<sup>16</sup>. The Eastern Partnership Initiative provides exactly for the latter format of cooperation but in order to become a reliable partner of the EU in ensuring democratic development of the Belarusian regime, the democratic forces has to change itself since the opposition today faces a lot of problems<sup>17</sup>.

First, there is a discord over the ultimate goal. Representatives of democratic forces do not agree whether their goal is to change the regime or to become a parliamentary and constitutional opposition hereby acquiring a chance to transform the regime gradually from inside. Such discord provokes fragmentation of the opposition. And although ideological differences of the parties may not be considered an undemocratic phenomenon per se but the discord that obstructs at least minimum cooperation is a fundamental problem that contributed to the failure of the democratic forces in their preparation for the election campaign in 2008. One more problem is the contraposition of the ‘centre’ and ‘regions’ due to differences of agendas and problems of financing. No need to say that all these factors weaken opposition’s possibilities to mobilize population.

Mutual competition enlarges distrust and allows A. Lukashenka to manipulate: in 2008 A. Lukashenka’s policy of the ‘regime softening’ and selective consultations with some opposition powers brought even greater controversy among the democratic forces. In its turn disagreements provoked speculation that, following the Russian example, A. Lukashenka tried to create ‘loyal’ opposition.

Just as important is the fact that the gap between the society and the democratic forces is enormous. Democratic forces are unable to mobilize society beyond the boundaries of their habitual democratic electorate. Irrespective of their activities, support of A. Lukashenka amounts to around 45 per cent.

Staying outside the boundaries of the system opposition leaders have no experience in policy shaping, coalition building as well as making and implementing decisions. In other words, beyond the boundaries of the Belarusian regime there is not enough cadre having sufficient competence and experience to rule a democratic state.

And finally it is questionable whether the opposition is itself democratic<sup>18</sup>.

Participation in the official formats of the EU is one of the best ways to unite, mobilize and train the opposition, which in the longer run would be able to submit an alternative to A. Lukashenka’s

14 In 2007 Victor Sheiman (non-formal leader of Belarusian ‘siloviki’) was dismissed from the post of advisor to the President on security issues and Victor Lukashenka became the only counsel on the given issues. In 2008 the member of the Belarusian ‘siloviki’ group, the head of the KGB general Sukharenka was dismissed due to his disapproval of the post reshuffle policy (appointment of a close Victor Lukashenka’s friend Ihar Rachkusky the head of the State Border Control Forces). Sukharenka was replaced by the head of the President’s Security Service Jurij Zhadobin. Thus the ‘siloviki’ were divested of the control of two power structures and the possibility to shape security policy. The decline of the ‘siloviki’ clan continued in 2009 as well.

15 Kamil Klynsinski, Agata Wierzbowska-Miazga *Changes in the Political Elite, Economy and Society of Belarus. Appearances and Reality*, Centre for Eastern Studies, 2009. <<http://pdc.ceu.hu/archive/00005819/>>.

16 Ibid.

17 Ibid.

18 Vytis Jurkonis *Lithuanian Policy with Respect to Belarus: Are We Sure What We Are Up To?*, EESC, *Rytų Pulsas* Nr. 2 (30), 2010, <[http://www.eesc.lt/public\\_files/file\\_1268745357.pdf](http://www.eesc.lt/public_files/file_1268745357.pdf)>.

Today the EU policy towards Belarus is in fact oriented to a method, i.e. the ES pre-sets conditions and uses respectively either sanctions or privileges.

regime. That is why participation of Belarus in the formats of political cooperation within the framework of Eastern Partnership Initiative (EPI) is of paramount importance. In this sense the EU will have to make a compromise with A. Lukashenka's

regime. Elimination of Belarus from the EPI or Euronest due to undemocratic elections should not become an alternative since such decision would only 'gum up' the internal situation of Belarus for even a longer period.

**Opinion expressed by the authors of "Bell" does not necessarily correspond with that of the Eastern Europe Studies Centre.**



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