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THE CRISIS: DOES LUKASHENKA HAVE A STRATEGY?

Alexander Lukashenka has proven to be an extremely talented individual in retaining his power. For 16 consecutive years he successfully maintained "social contract" with his citizens: he provided a relative level of prosperity and stability in exchange for freedoms and human rights. Likewise, the president kept tight control of the economy and crushed any political opposition that could challenge his unanimous rule. This enabled Lukashenka to preserve political "stability" for such a lengthy period of time. Nevertheless, today the dictator is facing probably the greatest challenge and the greatest threat to his political dominance. Sharply deteriorating economic situation undermines the main pillar of his "social contract". More and more Belarusians question the legitimacy of Lukashenka's rule.

However, one should not allude himself by thinking that Lukashenka did not foresee the current economic crisis and that he did not prepare for it. The lawyer and political scientist Yuri Chavusau depicts a part of Lukashenka's crisis strategy in his article *Political Sentences in Minsk: Constructing a New Opposition*. The author explains the thoroughly

calculated "irrational cruelty" of the repressions and criminal proceedings against the opposition that took place after the December 19. According to Yuri Chavusau, harsh measures have been invoked to shake the ground from under the opposition's feet before the impending economic collapse. As a result, the capacities of the opposition to mobilise social actions have been greatly diminished, freeing the space for Lukashenka to fight the crisis.

The real mobilising "actor" that motivates and forces Belarusians to participate in various social actions and protests (e.g. revolutions through social networks, Stop-Petrol, etc.) is very objective – it is the economic situation itself. One can but imagine how many people the opposition could have assembled to the October Square had they been called upon in the light of the current economic turmoil. The second article by political analyst Alena Daneika comprises key facts and reflections on the crisis: its course, degree and some of the governmental measures aimed at preventing the "Belarusian economic miracle" from the ultimate collapse.

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POLITICAL SENTENCES IN MINSK: CONSTRUCTING A NEW OPPOSITION

*Yuri Chavusau,
Lawyer and political scientist*

The drawn-out criminal proceedings on the organization of mass disorders in Minsk have been ongoing for over six months. Since the unprecedented arrest of seven oppositional presidential candidates on 19 December 2010, the fate of Belarusian prisoners of conscience has been in the focus of public attention. These politically coloured criminal proceedings are accompanied by negative assessments of European structures and human rights advocates. It still remains unclear, however, what has forced Belarus to deviate from the route to reconciliation with the West. What has prompted Lukashenka to turn back to the path of terror and repressions against the opposition and civil society?

Prisoners of conscience – political hostages of the dictatorship

The imprisonment of several oppositional candidates in the presidential elections 2010 is unprecedented not only for a European country, but also for the post-Soviet space. It is envisaged that the event will play a crucial role in determining the attitude towards Belarus at the international arena for a long time. These political processes have not only put to doubt any future prospects of "colour revolutions" in Belarus, but have also brought to naught any attempts at constructing imitative or "controllable" democracy models in Belarus in the mid-term perspective. The negative impact of this

Why the Belarusian dictator needed this irrational “bloody sauna” and what is the reason for the blatant cruelty of the sentences for politicians who dared to challenge Lukashenka?

event is comparable only to the political disappearance of opponents of the Belarusian dictator in the late 90s.

Now that sentences for most political prisoners of the 19 December events have been passed (as was expected, they were all guilty verdicts), one may make certain conclusions – why the Belarusian dictator needed this irrational “bloody sauna” and what is the reason for the blatant cruelty of the sentences for politicians who dared to challenge Lukashenka.

According to human rights advocates, since the beginning of judicial proceedings on 17 February to 26 May 2011, 13 criminal trials directly related to the presidential elections and a peaceful protest action took place. In relation to the peaceful protest on 19 December, 43 persons were convicted including 5 out of 10 presidential candidates. More specifically, 3 presidential candidates - Andrei Sannikov, Nikolai Statkevich and Dmitriy Uss – got prison sentences from 5 to 6 years for organizing mass riots (Article 293 of the Criminal Code). 10 political prisoners, including presidential candidate Vladimir Nekliayev and Vitaly Rymashevsky, were found guilty of organizing actions disrupting social order (Article 342 of the Criminal Code). Two activists of the youth organization the “Young Front” were convicted of hooliganism (Article 339 of the Criminal Code) due to apparently unproven charge.

Both Belarusian and international human rights organizations claimed that the 19 December mass disorders were not reflected in the judicial proceedings, while the sentences passed were politically motivated. All individuals subjected to prosecution in relation to the 19 December events were recognized as prisoners of conscience. Most analysts remark that the Belarusian regime is inclined to begin negotiations with the West which are strikingly reminiscent of human trafficking following the scheme “credits and investments in exchange for the liberation of political prisoners”.

Thoroughly calculated “irrational cruelty”

Political scientists have been puzzled by unprecedentedly tough sentences to the former presidential candidates as well as reasons for massive political repressions. It seems that the key to this puzzle pertains to the sphere of political technologies and may be found in the notorious socio-economic and financial problems Belarus was confronted with in the spring 2011.

I am convinced that the demonstrative punishment of the participants of the peaceful protest action on 19 December was primarily stipulated by the objective to cut the ground from under the opposition before the impending economic collapse. On the day of the presidential elections, the opposition had summoned people to the Square, and people followed them despite the noticeable rise in salaries in the run-up to the elections. One can only imagine how many people would have come out to the Square had they been called upon in May 2011, on the day the national currency was

devalued by 50%, at the time of sugar and butter deficit, galloping inflation, mere absence of foreign currency in banks and the official announcement of the sharp increase in unemployment.

The Belarusian opposition stepped out to the Square when the people were least ready to protest against worsening economic conditions, which is why the Square was ideological, value-driven and political. However, on the day when the people were indeed ready to go to massive protest actions against Lukashenka in defence of their economic interests, the opposition was suppressed, imprisoned and busy healing its wounds after a total battering.

It is reasonable to believe that the regime foresaw this course of events at the stage of the criminal proceedings. Therefore, the severity of the sentences in political cases was conditioned by the objective to keep the opposition hogtied and focused on the destiny of political prisoners.

Many presidential candidates paid a price for the steps they had made during the election campaign. Then, in the atmosphere of relative freedom of campaigning, those candidates looked advantageous who sharply criticized not so much the socio-economic policy of the regime (shortly before the elections and for the first time in their lives, Belarusians had received an average salary of \$500 US), but rather dictator Lukashenka himself. Perhaps it is the personal attitude of the current president towards the candidates Sannikov and Statkevich that played a decisive role in determining their sentences: their long terms of imprisonment were stipulated by their sharp personal criticism directed at the official leader. For example, Sannikov’s main slogan was “It is time to change bald wheels”, which drew at Lukashenka’s physical peculiarities and built upon the ordinary tiredness of the electorate with the sixteen-year-long domination of one actor on the Belarusian political scene. Sharp criticism of Belarus’ socio-economic model and of the regime of individual rule bothered the dictator less than personalized attacks.

After the government had reached a high level of intimidation of the society through ostentatiously harsh political repressions (up to 8.5 years of imprisonment to several leading activists), it entered a period of economic vicissitudes against the background of the thoroughly weakened opposition. Meanwhile, having fallen victim to repressions in the aftermath of the presidential elections and preoccupied with restoring their own structures, the oppositional leaders do little to use the rise in protest sentiments and a favourable environment for criticising the regime.

The explosion in Minsk underground on 11 April 2011 could mark the beginning of a new round of repressions, but it did not. Several oppositionists were detained for investigation in relation to the terrorist attack (including Ales Kalita, ex-leader of the youth component of the BNF Party); however, they were later released and a massive wave of repressions was not unleashed. The opposition was already driven into a corner and was unable to

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demand anything more original but the introduction by the EU of economic sanctions against Belarus.

Following 11 April 2011, the regime became consolidated and acquired stability from within. It seems that only in this way could the modern Belarusian elite face the financial and economic crisis that was stipulated by the choice which this elite made in late 2010. This trend is characterized by the same rhetoric of the “besieged fortress”, witch-hunt inside the country and vanishing low activity of the opposition. In addition to this, it is necessary to maintain the overall level of fear throughout the society and occasionally “weed” civil society institutes and independent mass media: for example, to put the independent newspaper *Nasha Niva* under the threat of liquidation; to evict the Belarusian National Front (BNF) Party from their office which they had been taking for 20 years; to make an official warning to the registered human rights organization Belarus Helsinki Committee.

Given this state of affairs, the authorities benefit from the weak, divided and, preferably, radical opposition. In the best case scenario, it has to be divided into those radically fighting for the liberation of political prisoners, those radically fighting against Russia, and those radically fighting for the well-being of the people. These segmentary groups cannot shatter the authorities, but they can serve as an intimidation for ordinary citizens. The latter could be willing to hear an alternative to Lukashenka; however, if this alternative jeopardises one’s freedom, the citizens are not yet ready for these methods of political struggle. The process of constructing an opposition with the beneficial structure is implemented, among other things, through judicial proceedings against the “generals of the Square”.

The important goal of harsh punishment of political prisoners is intimidation. The authorities realize that all those dissatisfied with the regime cannot be charged with political offences and put to prison, since there would be too many prisons needed. This is why preventive fear-mongering is necessary. Even if they are not politicians, those active at the square receive a sentence of two to four years of imprisonment.

It seems that the Belarusian opposition lost strategically one year ago, when it selected the Square associated with post-election protests as its main slogan and fetish.

Policy of interests against policy of myths

Meanwhile the political and economic crisis in the country has to be reflected in the politicians’ rhetoric, since politics does not tolerate a vacuum. Affected by the crisis, politics will shortly turn to the ideology of defending interests of social groups.

We will surely read the memoirs of the “generals of the Square”, which they will write upon their liberation (or perhaps are already writing behind prison walls). The Belarusian people, however, did not perceive these processes as a matter of primary

importance, which, in the public domain, were soon superseded by the economic crisis. Similarly, at times rather radical and sharp with respect to dictatorship, protest actions with economic slogans now gather many more people than solidarity actions demanding the liberation of political prisoners.

It is notable that Artiom Sharkov, organizer of the brave and large-scale protest “Stop-gasoline-4” against rising gasoline prices that essentially paralyzed traffic in Independence Avenue in Minsk with hundreds of cars, was not member of any of the initiative groups of the more active candidates during the presidential elections. He was member of Viktor Tereschenko’s initiative group, who campaigned exclusively by means of economic slogans, who did not criticize Lukashenka himself and ... who was the only candidate not summoning people to the Square. Both the theme and the target group were on the agenda of the traditional opposition (thus, for example, in 2010, the BNF Party proposed the initiative of the motorcar referendum), but after the 19 December riot, the opposition was driven into a corner in which the only significant topic was that of liberating the political prisoners.

Currently negotiations between the adherents of the pressure on the regime and adherents of the dialogue within the Belarusian opposition are taking place. Strategists of the president’s administration must be amused by these debates, since they fully realize that the divided opposition can neither put pressure on the regime, not sit at the negotiations table. This adversarial situation within the opposition, which is now perceived as fundamental, in reality is artificial and detrimental to the opposition itself (especially when the practice of giving fellow politicians leaks out into mass media).

The truly significant adversarial situation is the confrontation between politicians-peacemakers and politicians advocating interests of the people (that is, specific social groups or even classes). While political writers create another myth about “generals of the Square” and a magical influence of the economic sanctions on the regime, a new opposition will be emerging that will come up with specific political decisions to be perceived as an alternative to dictatorship. It is this tendency of the formation of the policy of interests that will withstand the line constructed by ideologues of the dictator’s administration, among other things, by means of state trials – the line of terror, of the split in the opposition and of lack of adequate vision of political objectives.

The political processes in Minsk will probably serve as a lesson to politicians and political technologists: indeed, myths may be constructed during the implementation of political projects. But to construct political projects while in thrall of one’s own myths is fraught with deadly danger.

Belarusian authorities for a long time did absolutely nothing to resolve the looming problems, except intensifying load on machines printing Belarusian rubles.

CRISIS IN BELARUS: FACTS AND COMMENTS

Alena Daneika, analytical center Wider Europe

On 24 May 2011 the National Bank of Belarus has officially devalued the Belarusian ruble by 56 per cent. The currency rate after the devaluation constitutes 4030 Belarusian rubles per US \$1 and 6914 rubles per €1. The plan to bring the situation back to normal, as announced by the Prime Minister of Belarus Mikhail Miasnikovitch, firstly, by satisfying the over-the-top demand for currency and, secondly, by establishing a balanced exchange rate, did not bring the anticipated results even by mid-June. The cash and non-cash currency deficit at the market prevails while consumer prices keep rising.

The crisis which the authorities would not admit to

Belarusian authorities carefully camouflaged early signs of the crisis: they reported on the success achieved, assured that crisis-related phenomena pass by Belarus and for a long time did absolutely nothing to resolve the looming problems, except intensifying load on machines printing Belarusian rubles.

Within the first four months of 2011, the payroll of Belarusian employees grew by 26 per cent. Now Belarus has resumed the regulation of prices on goods. Along the border, petrol is sold for currency only; elsewhere fuel can be sold for rubles to a car with a foreign plate provided that a Belarusian passport is shown. It is impossible to buy currency in the bank. The above are but a few examples of the crisis that is currently rocking Belarus.

The noticeable agitation at the foreign currency market began in February-March this year when it became apparent that Belarus' accession to the Customs Union with Russia and Kazakhstan would implacably lead to a significant growth of prices on foreign cars. As a result, even those who did not have plans to purchase import cars or cars in general, started to buy currency. It is absolutely clear, however, that the reason of the crisis is not in the buying up of currency and cars, the prices of which will soar after 1 July 2011.

The crisis had begun long before it was noticed by ordinary citizens. In fact, there is hardly anything surprising in the notorious and forecasted outcome, since the Belarusian leadership persistently ignored the laws of economics. For a long time Belarusian export was lower than its import, while the state kept attempting to provide the population with the more or less acceptable living conditions.

The imbalance between Belarus' export and import may be illustrated by various segments of the market. For example, experts of the Institute for Privatisation and Management point out that the trade of oil and oil products worsened the deficit

remarkably in the first quarter of the year. Trade deficit constituted \$3 bn, and grew two and a half times in comparison with the relevant period of the previous year. Export and import grew by 46.3% and 65.7% respectively.

As regards trade with non-CIS countries, export grew by 48.3%, import - by 78.9%, and deficit amounted to US\$ 551 mln (as opposed to a surplus of US\$140 mln a year ago). Commodity goods trade deficit doubled. Import of passenger cars grew by 2.3 times and in physical terms, - by 1.8 times. Besides, import also grew due to crude oil deliveries from Venezuela (407,000 tons at the price of US\$790 per ton). In trade with Russia, export and import grew by 39.2% and 48.3% respectively, and deficit soared 1.6 times and amounted to US\$2.5 bn (in March, deficit increase constituted 37.5% as compared to February 2011).

In previous years, Belarus was able to avert the crisis relying on credits of international organizations, the IMF in particular, as well as on overt and covert subsidies to Belarusian economy by Russia. More specifically, Russia provided cheap raw materials to sustain export of Belarusian petrochemical products. For the time being, President Lukashenka successfully manoeuvred between the East and the West, and consequently obtained credits from both sides, which contributed to the make believe that stability was retained in the country.

Reforms are not there

The uncontrollable plunge in the financial market was provoked by two factors: first, by populist activities of the government before the elections; and, second, the external resources had been exhausted, viz., assistance of the IMF and annual payments for the 50% of Beltransgas sold to Russia.

The fact that history repeats itself, yet this time as a farce already, may be illustrated by a document dated 11 November 1996. The then chair of the board of directors of the National Bank of Belarus Tamara Vinnikova wrote to Lukashenka to describe the situation at the internal currency market.

She pointed out that "attaining real sustainability of national currency and stabilization of the situation at the currency market are only possible on condition that in-depth economic transformations are implemented, in particular, denying state support to marginal and low-gain enterprises and manufacturing; introduction of financial rehabilitation and bankruptcy procedures; incorporation of non-traditional goods, including land, in merchandise turnover..." For many years experts and analysts as well as representatives of international financial institutes had recommended largely the same approach to Belarusian leadership. However, even

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15 years after Vinnikova's letter, Belarus did not begin to implement in-depth reforms.

Currently the formation of the market rate of the Belarusian ruble has been brought to a standstill. Economists cannot provide any rational explanations to account for the rate set after the devaluation except the political one. In terms of the official dollar rate, after the devaluation, the average wages of a Belarusian plunged from the US\$500 (registered by the official statistics) as promised by Lukashenka in anticipation of the elections in December 2010, to US\$250 and even US\$100 in May 2011. The indicators will be even lower if the rate on the black market is taken into consideration.

People and prices

The National Bank resumed the policy restricting purchase and sale of foreign currency at the over-the-counter market within 2% relative to the official exchange rate. The over-the-counter market no longer shows any signs of motion although the National Bank states otherwise. In practice, privileged importers, which are determined by the state, purchase currency at the official exchange rate, and everybody else buys currency at any exchange rate available, or does not buy at all due to unavailability, given the current state of the over-the-counter market. The multiplicity of exchange rates of 2011 hits in the citizens' wallets in particular and the economy in general more than fifteen years ago when several exchange rates circulated in Belarus.

Prices for many commodity goods are set with respect to the kerb rate (or the over-the-counter rate, on 1 June, US dollar exchange rate amounted to 10,000 rubles) of foreign currency against the Belarusian ruble, which is one time and a half to two and sometimes even three times the official rate. Both importers and Belarusian manufacturers of goods and service providers do their best to hedge themselves against further devaluation of the Belarusian ruble. One of the reasons to account for the soaring prices for Belarusian goods is the fact that the majority of Belarusian enterprises import parts and components for their products from abroad.

According to the official statistics, for example, in April alone, the prices for non-food and food items grew by 8.5% and 17.6% respectively.

For example, an ordinary Belarusian with limited income who, before the devaluation, would buy the cheapest apples at the price of 5,000 Belarusian rubles, now buys (or does not buy) the same apples for 12,000 – 15,000 rubles. The price of sweet peppers, for instance, is now equivalent to €8 at the official exchange rate.

A visit to a hairdressing salon will now be more expensive, since suppliers of, for instance, foreign cosmetics, set the price considering the rate of both the dollar and the euro, while the latter at times equals to twice the exchange rate announced after the devaluation.

A similar situation holds true for all market segments, but salaries and social benefits paid in Belarusian rubles remain the same.

Manufacturers of goods and services companies as well as sellers of a number of imported goods are at a complete loss, since currently it is absolutely unclear which exchange rate to use as a benchmark when setting the price so as not to go bankrupt. In some cases private entrepreneurs merely refuse to sell a certain kind of goods altogether claiming that they do want to work legally, i.e., for Belarusian money, but cannot set the price on the goods sold, for they do not know what exchange rate will hold when they have to buy another parcel of goods.

Speculators in foreign currency in demand again

Starting from March 2011, Belarusian bank currency exchanges sell only the currency received from the citizens. To buy foreign currency, people spend nights and days in lines, take turns, register in a line and sometimes stand in several lines at a time.

It is notable that currency could not be freely bought before the devaluation when the dollar officially cost 3,000 Belarusian rubles, and the euro cost 4,000 rubles. It is impossible to buy currency now, when the dollar and the euro cost nearly 5,000 and over 7,000 rubles respectively (as of 11 June 2011, the National Bank sold the dollar for 4071 Belarusian rubles and the euro for 7184 rubles).

Under these circumstances, Belarusian citizens engage in "self-aid" by exchanging currency with their acquaintances and relatives, acquaintances of acquaintances and resort to speculators in foreign currency, a forgotten practice of the 90s of the past century. At the black market, depending on the sum, the selling price of both the dollar and the euro ranges from 5500 to 6900 Belarusian rubles for US\$1, and from 8600 to 9900 Belarusian rubles for €1 (as of 11 June 2011).

Belarusian authorities went over the top with emission, but blamed the people for the crisis

President Lukashenka unequivocally spoke on the reasons of the crisis in Belarus.

First, he blamed the people for having rushed to buy everything – from sugar, cereals and cars to money itself (relative to the Belarusian ruble), i.e., dollars and euros. Secondly, it was increasing energy prices.

In one or another form, Belarusian officials elaborate on the same theses. Only in passing did the head of the Belarusian state admit to the fact that "perhaps we have gone over the top with emission". The officials did not take this thesis on board.

Salaried facilitators and officials maintain that apprehensions of inflation and phenomenal demand are groundless. Empty shelves in shops and supermarkets are interpreted as unsubstantiated demand and unpreparedness of wholesalers and retailers for the consumer boom. Deputy Minister

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of Economy Andrei Tour was calming down the population with statements that “there are enough goods for which there is increased demand, while reserves in the wholesale network exceed the monthly rate.” Tour explained the panic buying as “certain unprincipled speculations”.

Meanwhile independent experts refer to the behavior of the Belarusian citizens as economically grounded. Is there not enough reason to buy goods that will be times as expensive tomorrow if they can be bought cheaper today?!

The coexistence of multiplicity of currency rates in Belarus – one official and several black market rates – for state and private enterprises, for businessmen and for private persons – are referred to by the media as an “ambiguous situation which has provoked speculation”. “Entire mechanisms playing on differences in exchange rates” were called answerable.

At the governmental level, it is maintained that there is collusion among wholesale providers of a number of goods. In particular, Tour claimed that “many economic operators constantly feel the piling pressure of a surge in the inflation and merely stop supplying many kinds of goods to retail stores”.

Government plans: manual management of economy

Tour called the disparity of prices at the domestic and foreign market the main reason of the crisis. According to him, one of the measures to remove price disparity is the expansion of the application sphere of foreign currency in processing operations

on the territory of Belarus, “paying for fuel and a number of possibilities paying for hotel services, for motorway service, for tourist services and so on, paying import customs duties in foreign currency have to lead to the adjustment of not only the currency market, but also of the relative imbalance as evidenced today”.

Essentially this means that the state determines which economic agents may settle their transactions in foreign currency, and which may not.

The government has made the decision to combat inflation by promising compensations to public sector employees and pensioners, which in practice means but another emission. By mid-June part of the population had already received compensation which amounted to ... 40,000 rubles, equivalent to €5.5 (as of 11 June 2011, 40 000 Belarusian rubles = €5.5679). Notably, at the present time, most ATM machines are filled with new crisp banknotes.

The government makes no secret of the fact that in the nearest future the utilities and communications charges will be going up. Within the past month, the fuel costs more than doubled. Given this situation, the following day after a rise in petrol prices, prices were somewhat lowered by Lukashenka's order. The authorities explain the increase in fuel prices as the necessity to approximate them to the prices in the neighbouring countries, but pass over in silence that Belarusians have every reason to compare fuel prices with Russia rather than Europe.

Day after day, the state television broadcasts episodes reiterating time and again the same theme: everyone is to blame for the crisis, except the leadership of the country.

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