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## Prospects of regime transformation in Belarus (WP)

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### Summary

Ever since A. Lukashenka was elected for his first presidential term, and up until the late 1990s, there were claims that his rule was only a temporary and transitional episode in Belarus's political and economic development. Fifteen years on, there is little doubt that the only transition that has taken place in Belarus since its independence is a drift towards an increasingly authoritarian regime. Nevertheless, although the regime is consolidating it is remarkable how it was built and is currently relying on a surprisingly fragile combination of external and domestic factors.

### (1) Introduction

This working paper addresses both the domestic and external factors affecting Belarus and the strengths and weaknesses of its current political regime. The first section deals with domestic factors, analysing the public support for the current regime and the institutional and socio-economic pillars of Lukashenka's rule. The second section deals with the external factors that precondition or hinder the sustainability of Lukashenka's regime, including the roles of both the EU and Russia. The third section provides some possible scenarios for the regime's future development. The overall analysis suggests that regime transformation is only possible if initiated by the regime itself, as civil society has been suppressed and conformism has spread. Taking this into account, we present four scenarios for the further development of the Belarusian regime: (1) isolation and economic downturn; (2) yielding to Russia; (3) transformation under EU conditionality; and (4) regime adaptation. The latter appears to be most realistic, as it is the most compatible with the internal needs of Belarus's society and elites, as well as providing for the sustainability of its current foreign policy –balancing between Russia and the EU–. We conclude that small steps towards economic liberalisation are likely to take place first. Increased prospects of political democratisation are only possible in the longer term and will most probably be triggered from the bottom up by civil society. Therefore, support for civil society and close attention to the situation of human and civic rights in Belarus must be sustained.

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## **(2) The Three Domestic Pillars of the Lukashenka Regime: Centralisation, Stability and Atomisation**

For any political regime to stand three conditions are necessary: (a) an institutional pillar; (b) public support; and (c) an ability to withstand the opposition. Lukashenka's regime has been able to achieve and sustain all of them. Developing the regime into its present state has been a complex process and all the conditions above have developed simultaneously and have moreover been mutually reinforcing.

### *(2.1) The Institutional Pillar: The Centralisation of Economic and Political Power*

Since he became President of Belarus in 1994 Lukashenka has managed to accumulate almost all public resources (from political power to the national economy and welfare services) into his own hands. The political system has been centralised and subjected to the President's overwhelming control, while two-thirds of the country's enterprises are still state owned. The centralised Belarusian economy enables Lukashenka to retain control over the bureaucracy and the political elites in return for limited access to economic resources, so every reform is strictly controlled. Thus, the President is the ultimate re-distributor of all resources and the ultimate arbitrator of all conflicts of interest. This accumulation of power has two features: (1) the formal institutional centralisation of political power and (2) the creation of an informal system of 'checks and balances' that allows the President to control rival elite groups that possess different types of resources.<sup>1</sup>

The institutional centralisation of power began with the constitutional referendum of 1996 which altered some of the main propositions of the Constitution of 1994 establishing a semi-presidential regime. The constitutional referendum of 1996 significantly widened the President's powers of nomination, allowing him to appoint and dismiss judges (including those of the Constitutional and Supreme Court), decide on the composition of the Central Electoral Commission, control local governments by appointing heads of regional executives and to issue decrees that have the power of a law. The constitutional referendum of 1996 cut back the Parliament's role and created two chambers: the Council of the Republic and the Council of Representatives. The latter is elected via a direct popular vote while the former is partly appointed directly by the President (eight of 64 members) and partly elected subsequent to his approval).

The constitutional reform allowed the complete dismantling of a Western-type system of 'checks and balances', in which the legislative power has the means to control the executive. The institution of the Presidency became the centre of the entire political

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<sup>1</sup> Ioulia Shukan (2009), 'A. Lukashenka's Strategies for Personal Domination: Resource Accumulation and (Re)allocation, presented at the international symposium *Belarus after 15 Years of Authoritarian Rule: Assessment and Prospects*, Helsinki Collegium for Advanced Studies, 8-19/V/2009, [http://www.allacademic.com/meta/p\\_mla\\_apa\\_research\\_citation/1/4/0/9/5/p140954\\_index.html](http://www.allacademic.com/meta/p_mla_apa_research_citation/1/4/0/9/5/p140954_index.html).

system as generally no decision could be taken without the President's approval or control.<sup>2</sup>

- (1) *Presidential control over the legislative power.* The real legislative powers of the parliament are weak. Lack of a parliamentary tradition has led to slow and inefficient legislation and the fact that membership of one of the two chambers is based on loyalty to the President makes any opposition to him practically impossible even in the –few– cases in which the directly-elected Council of Representatives opposes him. The legislative vacuum is filled with presidential decrees, while the parliament's power of legislative initiative, approval of the state budget, control over the President's activities and right to impeach are also restricted.
- (2) *Presidential control over the executive branch.* Under the constitution of 1996 the President is the head of the government, proposes the candidate to the office of Prime Minister to parliament and appoints the cabinet (for which the Prime Minister only has an advisory role). In practice the Prime Minister carries out the administrative task of coordinating the cabinet's duties, while most executive functions are undertaken by the presidential administration.
- (3) *The institution of the Presidency and the judicial branch.* There is no independent judiciary in Belarus, due not only to the lack of a tradition of the rule of law but also to the institutional system of appointing judges. The President of Belarus personally appoints six of the judges of the constitutional court (the rest being appointed by the 'loyal' Council of Republic) and all of the judges of the lower branches of the judiciary. He can also unilaterally dismiss them. Therefore the judiciary is simply an extension of the presidential administration and has no power to control the lawfulness of the government's actions.<sup>3</sup>

As constitutional checks and balances are weak and it would impossible for the President to personally control the entire political system, it has been necessary to create alternative instruments to ensure political stability. Belarus has followed the path Russia and some other CIS countries have taken, with different elites taking positions of authority (either controlling the state's main power structures or large enterprises) and the President acting as the final arbitrator in any conflicts that might arise and as the main assigner of power through his capacity to allocate public resources. There is a particular rationale behind maintaining the balance between competing elite groups and not providing any of them with an overly privileged position: they constantly monitor each other's actions, report to the government and take action when they register deviations from official state policies. These elite groupings all share the same loyalty to the President, thereby ensuring the sustainability of the state. Technically there are two main elite groups: the *siloviki* and the technocrats. The *siloviki* are the direct creation of the President through his appointments to positions in the state's power structures. Members of this group are characterised by

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<sup>2</sup> *Ibid.*

<sup>3</sup> Stefan Batory Foundation (2003), 'Belarus: Reform Scenarios', [http://www.batory.org.pl/doc/wybor\\_a.pdf](http://www.batory.org.pl/doc/wybor_a.pdf).

their unconditional loyalty to the President and are active appliers of repressive policies. The *siloviki* have taken over positions at the head of institutions such as the Belarus KGB (the State Security Agency), the Special Response Group at the Ministry of the Interior, the Central Electoral Commission and the Ministry of the Interior.<sup>4</sup> These positions are by no means secure, since Lukashenka has seldom hesitated to make them the scapegoats when Western pressure over repression or flawed elections is on the rise. In such cases they are usually replaced with other members of the same group who are similarly committed to implementing the President's policies but who are less tainted by human rights violations.

The second group comprises the so-called technocrats, who are directly related to the administration, the old economic and scientific *nomenklatura* and representatives of big business. Economic returns are key to their interests, so the group is less in favour of repressive policies and tends to cooperate with Moscow.<sup>5</sup> They also owe their position to the President's decisions and show a considerable degree of loyalty, but to a lesser extent as they are capable of opposing certain economic policies that could interfere with the interests of big business. It is important to note that none of the groupings can be regarded as consolidated or strictly defined; this makes Belarus different from Russia, where the elite groupings act as efficient veto players to the political system. Another difference from Russia is that there is no liberal elite (not even in the Russian sense of the terms 'liberal', ie, an elite advocating solely economic liberalism). Even Belarus's economic elites are Russian rather than Western-oriented; this means that pressure for liberalisation and cooperation with the West is practically non-existent.

### *(2.2) Capability to safeguard public support*

It is important to note that at the time the USSR collapsed the Belarusians were not striving to break up the Union. In fact, it came as a shock, as did the Russian economic crisis of 1998, that hit Belarus badly. Therefore, when it comes to explaining why the regime still enjoys considerable public support despite 15 years of repression, rigged elections and lack of freedom, stability is the key word. Opinion polls conducted in 2008 suggest that public support for Lukashenka may have declined since 2006, but only insignificantly. Some disillusionment on the ideological level can be seen, but expectations that the regime can ensure economic growth and social benefits remain high. Therefore, while answering the question 'who would they vote for if there were a presidential election tomorrow', 42.5% of respondents said Lukashenka, while his closest opponent, Aleksandr Milinkevich, was first choice for only 8.8%. Moreover, 66.3% of those interviewed claimed that President Lukashenka has been successful in establishing

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<sup>4</sup> Gediminas Vitkus & Virgilijus Pugaciauskas (2004), 'Paradox of Belarus: Regional Security with a Transformation Limbo', The General Jonas Žemaitis Military Academy of Lithuania, [http://www.lka.lt/EasyAdmin/sys/files/Baltarusijos\\_paskut.pdf](http://www.lka.lt/EasyAdmin/sys/files/Baltarusijos_paskut.pdf)

<sup>5</sup> *Ibid.*

order in the country.<sup>6</sup> This is highly revealing: the regime may be tough on various nongovernmental or political organisations (from trade unions to political parties), but it is able to provide order and benefits to the public directly, making intermediaries unnecessary. Moreover, the regime may not be able to make everybody very well-off, but it does provide for a certain level of welfare. The regime's successful economic performance and the social policies that have resulted from it are both key factors for the regime's sustainability. The Belarusian economy has a record of consistent annual average growth of 7% during the 10 years up to 2008. A significant share of the state's income is devoted to social benefits,<sup>7</sup> unemployment is low and the labour market secure: socially vulnerable groups (such as members of large families, youth under the age of 21, disabled persons, etc.) have been actively included in the labour market and at least minimal levels of welfare are ensured.<sup>8</sup> Moreover, the state intervenes actively in the market with regulated price policies and strict requirements for investors to maintain the same number of employees and to ensure the same salary levels.

Although economic stability was the regime's main strength, the global economic downturn has made this no longer sustainable. Thus, the public's demand for social benefits could easily turn against the regime. IMF reports have for several years now issued warnings about the unsustainability of Belarusia's 'economic miracle'. The growth of Belarusian economy was preconditioned by the low cost of energy and raw materials imported from Russia and by a qualified and disciplined labour force. The former factor has never been particularly stable; Belarus and Russia have a record of gas and trade conflicts that shows that Russia has never been a very reliable partner. What is more important, Belarusian industry has hardly undergone any modernisation after the collapse of the Soviet Union, meaning that it is suffering from energy inefficiency, outdated technologies and products that are no longer competitive in any market other than the Commonwealth of Independent States.

Moreover, Lukashenka's socially-orientated and centrally-planned economic policies appear to be self defeating. They do not induce increased productivity rates, do not allow for investment in the most viable sectors of the economy, the investment environment is extremely unfriendly and the odds for the re-nationalisation of enterprises are high. In its post-crisis reports on the Belarusian economy the IMF has repeatedly warned that economic growth and extensive social benefits are no longer compatible: the government's price control has to be reduced severely, state intervention in salary policies must be abandoned in order to promote productivity growth, banks must be allowed to allocate their loans in sectors that offer high returns and credit can no longer be allocated on the recommendation of the government. Privatisation must be effected transparently,

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<sup>6</sup> 'An Opinion Poll in Belarus Reveals Skepticism Among the Public', *Eurasia Daily Monitor*, vol. 5, nr 76, [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=33569](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=33569).

<sup>7</sup> 'Neo-liberalism with Populist Slogans', July 2007, <http://socialistworld.net/eng/2007/07/04belarus.html>.

<sup>8</sup> 'Social and Labour Policy', 2009, <http://www.invest.belarus.by/en/advantages/investclimate/social/>.

legal restrictions on establishing businesses must be softened and a more favourable climate for foreign investment created.<sup>9</sup> Lukashenka is faced with a double dilemma: liberalisation and decentralisation of the markets not only hinders his social policies, that have ensured high employment rates and relatively stable salaries, but also his entire political and economic regime, as in a liberalised economy he will no longer be able to distribute economic benefits in a such a way as to ensure support for his regime from both the public and the elites.

### *(2.3) Atomisation of society and alienation of the opposition*

A highly important trait of Belarus's current regime has been its dismantling of all manner of civic and activist organisations, including pushing political parties out of the political system and suppressing or controlling trade unions, non-governmental organisations and even religious organisations. The logic behind this is simple, yet very efficient: all benefits to individuals are provided by the state and any type of activism is punishable and offers no benefits. This has resulted in society's total atomisation, the relation between the state and individual citizens having become direct, with no intermediaries being allowed to represent the interests of social groups. As no society organisations are allowed, there can be no mass mobilisations or mass opposition to the regime. Because there is no efficient opposition that could eventually stability, support for the regime is the sole option, as it can at least ensure that conditions for the individual citizen do not get worse. This explains the passivity of Belarusian society. Opinion polls reveal that even under deteriorating economic conditions 72% of the public would refrain from participating or supporting public protests against government policies.<sup>10</sup> Repression is also a not inconsiderable factor in discouraging civic activism.

Political parties in Belarus have generally been marginalised due to the use of a majoritarian system in the elections to the Council of Representatives. Voting for a single candidate, in addition to the lack of a tradition of party politics, means that the electorate tend to prefer voting for personalities over party affiliations. Moreover, after candidates are elected to parliament they become state employees, which technically means that party affiliation in both houses of parliament is prohibited by law and MPs must withdraw from party activities<sup>11</sup>. This explains why less than 10% of Belarusian public express an affiliation to Belarusian political parties and why less than 0.7% are formal members. Party-based representation is generally irrelevant in Belarus.<sup>12</sup>

As regards unionism, the formerly independent trade unions have been replaced by state-controlled organisations, that have thereby become another social pillar of the regime.

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<sup>9</sup> 'Belarus-2009 Article IV Consultation Concluding Statement of the IMF Mission', <http://www.imf.org/external/np/ms/2009/082609.htm>.

<sup>10</sup> 'An Opinion Poll in Belarus...', *op. cit.*

<sup>11</sup> 'State of Corruption in the Republic of Belarus', <http://liberty-belarus.info/Articles-in-English/State-of-corruption-in-the-Republic-of-Belarus.html>.

<sup>12</sup> Elena A. Korolesteva (2002), 'What Lies Behind the Public Support of Leading Politicians in Belarus?', <http://www.ceri-sciencespo.com/archive/july02/colloque/papereak.pdf>.



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Independent trade unions not only face harsh administrative obstacles, but have also been stripped of their capacity for representation as since 2009 only the state-controlled confederation of trade unions can sign collective agreements with employers.

The government targets not only political parties and trade unions but also harshly restrains any civil society activities that can give rise to opposition to the regime: libel laws are extensively used to limit the spread of information critical of the regime, foreign funding for NGOs is forbidden, there are strict limitations on access to the state-owned mass media and a strict censorship, restrictions on the importation of media-related materials from abroad, compulsory registration of NGOs (as well as administrative barriers to their registration and persecution of their activities after registration), temporary or permanent suspensions of the independent press and public demonstrations are harshly suppressed.<sup>13</sup> The government's repressive policies towards civil society and the opposition tend to intensify on the eve of every election and continue into the interim periods. At the 2008 parliamentary elections new pre-emptive policies were introduced, including the detention of opposition leaders right before the election. The upcoming presidential election scheduled for the end of 2010 or the beginning of 2011 is likely to be no exception. The President has already begun to strengthen the powers of the state's law-enforcement agencies, making it easier to start special investigations, that can now be initiated not only by the General Prosecutor's Office but also by Minister of Interior and by the KGB.<sup>14</sup> The result has been to push the opposition towards the margins of society and to make any activities very costly for those involved. Even the diffusion of information on government repression of activists has failed to spark public discontent but rather acted as a deterrent. In-fighting between opposition leaders has also discouraged public support. Opinion polls reveal that 40% of voters that traditionally support Lukashenka's regime at the elections do so not because of their satisfaction with its policies but because the opposition fails to convince them.<sup>15</sup> This indicates that although there is a general understanding that the current regime could be replaced by something better, this does not translate into support for the opposition's current leaders.

### **(3) External factors: Reluctant but Demanding versus Aggressive but Giving**

In geopolitical terms, Belarus considers itself to be between East and West, with all the costs and benefits inherent in being a 'bridge', a buffer and an 'advance post'. In current terms, this means that Belarus is stuck between the EU and the CIS –Russia in particular–. Officially, Belarus's foreign policy is 'multi-directional' but in practice it is increasingly becoming pro-CIS and pro-Russia. There was, however, a brief period of a true multi-

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<sup>13</sup> 'CIA World Factbook, Country Profile Belarus, 2009', <https://www.cia.gov/library/publications/the-world-factbook/geos/bo.html>.

<sup>14</sup> 'Tightening the Screws in Belarus?', *Russia Today*, August 2009, <http://russiatoday.com/Politics/2009-08-20/Lukashenka-belarus-law-enforcement.html>.

<sup>15</sup> Korolesteva (2002), *op. cit.*

directional character during in 1992-93, when Belarus attempted cooperation with both Europe and Russia: the Collective Security Treaty of the CIS area was accompanied by attempts to move closer to the nations of Eastern and Central Europe by participating in OSCE, the North Atlantic Cooperation Council and the Northern Dimension.<sup>16</sup> This was partly due to the fact that the course of political developments in Belarus was still unclear (at least the first round of elections went democratically) and partly because Russia was experiencing a crisis itself and hence did not appear as safe and had less influence over Belarus than in the Putin era. With Russian economic and political power on the increase again, its grip over Belarus has tightened and isolation from the European side has made Lukashenka's 'multi-vectored' foreign policy difficult to maintain.

### *(3.1) Belarus-EU Relations: Democratic Conditionality, Isolation and a 'Thaw'*

Interest in EU-Belarus cooperation has always been mutual, although for different reasons: the EU expected to push Belarus towards democratisation and liberalisation, as occurred with the countries of Central and Eastern Europe; Lukashenka's regime, on the other hand, needed the EU to counterbalance Russia's economic and political influence. Despite having close economic and political ties with Russia, Belarus's independence has always been regarded by both the regime and Belarusian society itself as the ultimate goal, and playing a balancing act between Russia and the West was thought to be the way to ensure it. Nevertheless, Belarus is a classic example of how the EU's conditionality clause is unable to foster democratisation and economic modernisation. Until recently the EU's policy towards Belarus was on the whole marked by an unfortunate combination of ignorance and the use of the stick rather than the carrot. EU policy initiatives were not only purely reactive, but also tardy. There was no clear EU strategy towards the CIS countries until the 2004 enlargement took place. Until 2004, the EU adopted a 'Russia first' approach, which meant that the CIS area was generally left to the Russian sphere of influence. The European Neighbourhood Policy (ENP), launched in 2003-04, was intended to address this problem, but came too late as economic and political ties with Russia had already developed and Lukashenka's regime had taken an increasingly undemocratic slant. Unlike the EU, Russia never tried to push the Belarusian regime towards democratisation and this was a great advantage from Lukashenka's point of view. Russia has, however, worked hard to consolidate its influence over Belarus, which the EU has failed to do. The Belarusian 'economic miracle' was largely predicated on low-cost Russian energy resources and 'forgivable loans'.<sup>17</sup> Therefore, good relations with Russia were a strong underlying reason for Lukashenka's domestic success: if he wanted to sustain the pace of economic growth and remain in power, he had to stay close to Moscow. Meanwhile, Belarusian relations with the EU had never actually had any impact on the domestic support for Lukashenka.

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<sup>16</sup> Dov Lynch *et al.* (2005), 'Changing Belarus', *Challot Papers*, nr 85, Institute for Security Studies, Paris, p. 47-65.

<sup>17</sup> 'EU-Belarus: Can the Thaw be for Real?', <http://www.opendemocracy.net/article/openrussia/eu-belarus-can-the-thaw-be-for-real>.

Under these circumstances, the ENP and its strict conditionality were self-defeating: it failed to produce instruments of political pressure and its existing potential was exhausted far too early. Every time the EU applied its 'stick', it consolidated Lukashenka's authoritarianism and Belarusian dependence on Russia. The EU had increasingly less leverage over Belarus. The suspension of the EU-Belarus PCA and of the TACIS programme (1997) resulted in a lack of institutional ties with Belarus and the creation of the 'Russian-Belarus Union State', the customs union agreement and military integration. Visa restrictions for high-ranking representatives of the Belarusian regime (1998) reinforced the concept of the Union State and Belarusian support for some of Russia's dubious foreign policy goals. The EU Council of Ministers excluded Belarus from the Generalised System of Preferences (2004-07) at the time the Collective Security Treaty Organisation (the Russia-dominated NATO analogue) and the Common Economic Area (Russia, Ukraine, Belarus and Kazakhstan) were emerging. Meanwhile, the EU's support for civil society brought few results as the suppression of the opposition intensified.<sup>18</sup>

This was, however, not only a failure of EU conditionality, but also of Lukashenka's multi-vector foreign policy. However, in 2010 Belarus has accepted the conditions of a US\$2.5 billion IMF loan and participation in the Eastern Partnership initiative. This is a clear indication that the 2008 Russia-Georgia military conflict, the 2009 Russia-Ukraine gas dispute and the Russian push for greater economic integration have put too much pressure on Lukashenka. His administration is clearly ready for more cooperation with the EU.

The Georgia-Russia military conflict changed the EU's policy towards Belarus. The policy of democratisation and isolating Lukashenka's regime has now been replaced by a two-tier strategy: continued cooperation with the opposition forces in Belarus (the democratisation tier), and selective involvement with the Belarusian political regime. In other words, the EU has made the economic and political self-sufficiency of Belarus (reducing its dependence on Russia) a priority. Democratisation remains on the European agenda for Belarus, but as part of a wider approach. This seems to suit Lukashenka's interests as well.<sup>19</sup>

Despite the positive developments, it must be emphasised that Lukashenka can only make very limited concessions to the West. Democratisation is not on the Belarusian President's agenda and neither is the full-fledged liberalisation of economy. It is important to emphasise that in his relations with Russia, Lukashenka is in a quandary, between self-sufficiency and loyalty. In his relations with the West the choice is between the regime's sustainability and democracy. These are completely different dilemmas: in the first case Lukashenka's political future is still secure (even if it means ending up as a governor in the Russian Federation); in the second case, there is no political future for him

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<sup>18</sup> *Ibid.*

<sup>19</sup> *Ibid.*

whatsoever. Thus the most the EU can expect is for Lukashenka to take small steps towards market liberalisation and privatisation. This would pave the way for European investment, diminishing the role of Lukashenka's social guarantee system and state enterprise. It would also reduce the Belarusian people's dependence on the state's social and economic monopoly. Economic liberalisation might then have a spill-over effect on the Belarusian political system. However, this is all yet to happen. One thing should be clear about Lukashenka's *rapprochement* with the EU: his multi-vector policy still stands. He is seeking more financial injections from the West, but will continue to avoid any obligations for structural reform, economic liberalisation or changes in the political system. Lukashenka obviously regards the thaw in EU-Belarus relations as a chance to make fools of both the EU and Moscow.<sup>20</sup> He needs EU financial assistance to revitalise the moribund Belarusian economy, gain access to the European market and increase Belarus's bargaining power against Moscow. But as soon as the EU mentions terms that touch on Belarusian domestic politics, Lukashenka is likely to be the first to close all the windows of opportunity and the 'new historical pages of bilateral relations'. The Belarusian President realises perfectly well that it is his relationship with Russia, not the EU, which offers prospects for the further development of his regime.

### *(3.2) Belarus-Russia Relations: Stick, Carrot and Mistrust*

Obviously, Russia has many more levers to influence Lukashenka's regime than the EU has. Moscow can play the energy card at any time –by setting a flat rate for Belarusian and European gas prices–, or cancel its huge orders for Belarusian industrial goods. Both would destroy the fragile Belarusian social and economic system. Russia has already demonstrated its potential to use various economic and energy instruments in order to achieve economic or political goals: Russia started a gas price dispute in 2006-07 after Belarus resisted an attempt by Russia to take over its energy venture BelTransGaz under unfavourable conditions and rejected a deeper political integration with Russia. It also toyed with the idea of raising gas prices last year to pressure Belarus to officially recognise the independence of the Abkhazian and South Ossetian break-away regions. Russia waged a 'milk war' against Belarusian milk exports to Russia in order to penalise it for moving closer to the EU.<sup>21</sup> These precedents reveal that Russia has never been a stable partner to be fully trusted. In fact, Russian policy towards Belarus has been highly pragmatic and characterised by extensive direct interference in Belarusian economic and foreign policies.

The Belarusian economy vitally depends on Russian subsidies and 'donations': the lifting of energy debts and low energy prices added around 20% to Belarus's annual GDP.<sup>22</sup> The

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<sup>20</sup> *Ibid.*

<sup>21</sup> Thomas Ambrosio (2006), 'The Political Success of Russia-Belarus Relations: Insulating Minsk from a Color Revolution', Heldref Publications, nr 2-12, North Dakota State University; 'BBC Country Profile – Belarus', [http://news.bbc.co.uk/2/hi/europe/country\\_profiles/1102180.stm](http://news.bbc.co.uk/2/hi/europe/country_profiles/1102180.stm).

<sup>22</sup> Jakob Hedenskog & Robert Larson (2007), 'Russian Leverage on the CIS and the Baltic States', Swedish Defence Research Agency, p. 45-60.

reduction in these subsidies is what is harming the Belarusian economy the most, having perhaps an even greater impact than the global economic crisis itself. The global crisis has worsened Belarus's position precisely because it might cause Russia to reduce its support even further as it struggles with its own economic problems. Russian subsidies to the Belarusian economy fell from US\$5 billion in 2006 to US\$2 billion for 2008-09 and the Belarusian trade deficit with Russia reached 87% in 2008. Russia quickly exploited the fear of its subsidies decreasing further. At the meeting of the State and Security Councils of the Russian Federation on 25 December 2008, Russia's President Dmitry Medvedev said that in the context of the global financial crisis Russia should strive to deepen the economic and political integration of CIS countries. A customs union between Russia, Kazakhstan and Belarus to be started in 2010 to revitalise the project of the Single Economic Space is an example of such integration.<sup>23</sup> Belarus has little choice but to agree if it wants to deal with the consequences of the economic crisis. But it has also experienced other manifestations of increased Russian interference in its economy. On 21 October 2008 Russia agreed to grant Belarus a US\$2 billion loan, to be re-paid in two instalments during 2008-09. According to experts, the fact that the conditions of the loan are kept secret and that it is to be paid back in Russian roubles shows that Russia is seeking to accelerate the imposition of common monetary and fiscal policies for Belarus and Russia. Of late the Kremlin has been strongly insisting on the introduction of the rouble as a single currency to be used in both Russia and Belarus. Russia's economic and political 'conditionality' increasingly questions Belarusian statehood and sovereignty.

Taking into account the penetration of Russian influence in Belarus's domestic economic and political domains, it is clear that the dynamics of the relations between the two countries are decisive for the future of the current political regime. As mentioned above, Russia has never raised any demands for democratization or market liberalization to Belarus, therefore, no pressure for transformation has ever occurred. Despite that, Russia has been raising conditions of its own: unconditional support for Russian foreign policy goals and increased economic and political integration with the Russian Federation. Both aspirations clash with one of the Belarusian regime's crucial interests: maintaining sovereignty and independence. In the event of further economic and political integration with Russia, Lukashenka could remain in power but not, however, as the ultimate authority in an independent republic, but only as the governor of a *de facto* province of the Russian Federation. The Russian Federation's overall strategy towards Belarus is yet unclear, but the overall trends are alarming.<sup>24</sup> Lukashenka again faces a dilemma: cooperation with the West ensures statehood, but cooperation with Russia ensures regime sustainability. Can these conditions somehow be made compatible? There are grounds to

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<sup>23</sup> 'Belarusian East/West Orientations: Impossible to "Lock-in"?', Centre for Eastern Geopolitical Studies, 2009, [http://www.cegs.lt/multisites/rytugeopolitika/images/stories/eatsem\\_pulse\\_1\\_16.pdf](http://www.cegs.lt/multisites/rytugeopolitika/images/stories/eatsem_pulse_1_16.pdf).

<sup>24</sup> Andrei Liakhovich, 'Power Poker: An Examination into the Dynamics of the Current Relationship between Russia and Belarus', Belarus Public Policy Fund, <http://belinstitute.eu/images/stories/documents/bppflachovichbelrus.pdf>.

believe that Lukashenka has decided that they are, as long as he persists in his balancing act.

#### **(4) Conclusion: Future Scenarios**

It is clear that any change will probably be introduced by the regime itself as civil society remains suppressed and conformism is ubiquitous. Taking this into account, we can imagine four future scenarios:

- (1) *Isolation and downturn.* Isolation from both the EU and Russia could ensure that Lukashenka retains both his leadership and Belarusian statehood; what he will not be able to sustain, however, is economic growth. The President does not have enough support for the population to endure deteriorating social standards without suffering political consequences. Turning Belarus into a police state is theoretically possible but external conditions and internal factors (insufficient human and financial resources, political willpower and charisma) are unlikely to allow such a course of action.<sup>25</sup>
- (2) *Yielding to Russia.* The second scenario would be possible if A. Lukashenka had the intention to turn Belarus into a province of Russia<sup>26</sup>. However, he showed his determination to build an independent country resisting Kremlin's influence for the past fifteen years. Besides, it is also unclear how much would Moscow commit to subsidize Belarusian economy in the aftermath of the economic crisis, nor is it clear what type of integration Kremlin prefers.
- (3) *Transformation subject to EU conditionality.* Taking into account Lukashenka's political views, his record while in power, his position in the *nomenklatura* and the lack of a structured opposition, he is unlikely to accept such a scenario.<sup>27</sup> Even if he were to do so, turning Belarus into a democracy would lead to a swift change of political regime, but only that, as it would also be likely to cause a situation similar to what happened in the 1990s in Central and Eastern Europe. More exactly, it could cause political instability, a downturn in the economy and scantily transparent privatisation processes. This would push Belarus even deeper into an economic downturn and it could take years or even decades of recovery and regime consolidation with no guarantee of authoritarian rule being reversed.

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<sup>25</sup> Jaroslav Romanchuk, 'Economic and Business Climate Reforms in Belarus', <http://liberty-belarus.info/Articles-in-English/Economic-and-business-climate-reforms-in-Belarus.html>.

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*

(4) *Regime adaptation.* This is the safest scenario for Lukashenka if he wants to retain power for as long as possible and meet the most urgent challenges he faces.<sup>28</sup> Implementing economic reforms and improving the business climate is likely to be welcomed by the West, by Belarusian business and even by the democratic opposition. The pace and depth of reforms can be determined by the government. Some measures can even be approved by the IMF and the World Bank. Neither would such a scenario hamper Minsk's relations with Moscow too much either, as Russia is also interested in investment in Belarus. The extent to which liberalisation could go might include a programme of controlled privatisations (this window of opportunity could be used by the local *nomenklatura* to transform its administrative resources and political power into economic and financial power). This would be the price Lukashenka might be willing to pay for maintaining the *nomenklatura's* loyalty under new economic conditions. Another concession that Lukashenka could make would be to ease conditions for Belarusian entrepreneurs and SMEs, since almost 185,000 individual entrepreneurs (IE) have been unable to operate after 1 January 2008 due to severe hiring restrictions. They are gradually becoming an influential economic and political force and the authorities realise the danger of such a development. They are likely to try to pacify them by creating a better business environment in a situation in which thousands of Belarusian state enterprises would be likely to start seeing severe job destruction.<sup>29</sup> Other similar concessions could be made as a compromise between society, regime and elite interests. However, if economic reform is initiated by the government, democratic demands must be raised by Belarusian society with Western support. Although conditionality should not be excessively rigid, the issue of democratisation should be raised continuously to signal to Belarus's society and opposition that they have not been forgotten. Only then and only gradually can the effects of economic liberalisation spill over into the Belarusian political system.

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<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*