

POST-ELECTION SEASON IN BELARUS: ECONOMY DETERMINES POLITICS*

Nikolay Mezhevich

St. Petersburg State University

Abstract. The author examines the development of Belarus after the presidential elections of October 2015. He argues that the Belarusian economic model, as currently exists, can only survive if Russia continues to offer support. Given the country's historical and cultural background, in the medium term, the demand for reform can be satisfied based on a scenario alternative to the catastrophic one adopted by Belarus's southern neighbor.

Keywords: Belarus, economy, politics, presidential elections 2015.

Copyright: © 2015 Mezhevich. This is an open-access publication distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source, the *Tractus Aevorum* journal, are credited.

Correspondence to: Nikolay Mezhevich, School of International Relations, St. Petersburg State University. 191060, Smolny st. 1/3, St. Petersburg, Russia.

УДК 323

БЕЛАРУСЬ ПОСЛЕ ВЫБОРОВ: ЭКОНОМИЧЕСКАЯ ИНТРИГА ПОЛИТИЧЕСКОГО ПРОЦЕССА

Аннотация. Автор рассматривает основные векторы экономического и политического развития Беларуси после президентских выборов 2015 года. Он полагает, что сложившаяся в стране экономическая модель сможет функционировать исключительно при поддержке России. Исходя из специфики историко-культурных условий Беларуси, в среднесрочной перспективе запрос на реформы может быть решен не по катастрофическому сценарию ее южного соседа.

Ключевые слова: Беларусь, экономика, политика, президентские выборы 2015 года.

* The original article in Russian together with its translation into English was first published on the website of the Russian International Affairs Council. The translation is published in edited version.

The recent presidential election in Belarus saw unusual uncertainty. It also uncharacteristically focused not on the political sphere, but almost entirely on the economic sector. Belarusians will not be shocked to learn the outcome of the election. The country expects changes in its economic policy after the election.

Economy

Belarusian liberals correctly argue that the current economic structure fails to ensure sustainable growth in prosperity, development, and protection from internal and external shocks. The Belarusian economy suffers not only from a range of challenges from Russia, but also has its own set of problems to deal with. The hypothetical solution offered both by members of the Belarusian Popular Front and by the relatively moderate opposition is quite simple: a guaranteed reduction in living standards for at least a decade for the sake of hypothetical growth, which at best will be enjoyed by the next generation.

The mechanics that will enable the country to achieve this result are well-known to anyone who lived through the 1990s. First, such a plan would necessitate overwhelming privatization and bankruptcy of uncompetitive enterprises, i.e. virtually all large and medium-sized enterprises, except for oil refineries and Belaruskalii, according to liberal experts. Second, the state would need to discontinue targeted social support for the downsized workforce, as unemployment will reach at least 30 percent of the labor market, and there will be no money to support non-workers.¹ Third, there would have to be liberalization of prices, trade, foreign exchange relations, and promotion of the financial market. Hikes in the price of goods by at least 250–300 percent should be expected. Fourth, budget cuts would be required, as well as an increase in the tax base amid higher tax rates and control of the budget deficit. Fifth, the state would have to reform land, forestry, and infrastructure markets, eliminating access to public resources. The above reforms would have to be combined with favored treatment for foreign investors, who would enjoy property rights protection. Public administration would be streamlined to comply with foreign objectives and interests.

The logic of Belarusian reformers looks remarkably similar to the approach by Russian liberals back in 1992. However, it evolved at a different time, in different conditions, and amid the obvious achievements of Russia, Kazakhstan, Azerbaijan, and, most importantly, Belarus itself: “In the early 1990s, pseudo-liberals called for the state to leave the economy. Due to anti-popular privatization, this resulted in the appropriation of the mineral wealth of the country, its economic potential by a group of individuals who sought to take power in Russia. As a result, the Russian economy suffered greater losses in the 1990s than it did in World War Two” (Primakov 2012). The recipe concocted by Belarusian liberals will have the same economic results if the state follows their advice. For example, Iaroslav Romanchuk, a Belarusian economist and head of Mises Research Center, argues that the current employment

¹ Hereinafter calculations by the author unless other references are provided.

structure cannot be preserved if the state aims to address productivity and efficiency challenges (Lavnikovich 2015). In 2013, however, organizations without state shareholding accounted for 49.5 percent of GDP, the same as the public sector. Further, in 2013 the private sector accounted for 58.4 percent of Belarus's exports and provided jobs for 49.4 percent of the country's workforce (Rudyi 2015, 32).

The openness of the Belarusian economy exacerbates structural problems amid the global crisis. Russia accounts for 48.8 percent of Belarus's foreign trade. This would be sustainable if the Russian economy were growing at its 2012 rate. However, under the current circumstances two-way trade between Russia and Belarus cannot continue at this pace. That said, the overall crisis and sanctions bear responsibility for this situation, not the structure of the Eurasian Economic Union. The mere reference to Belarusian trade with Russia and Russian support does not provide concrete evidence as to the extent of this support. Indeed, it is less about support than it is about the model for engagement between the two countries, given that the level of socioeconomic development of one country depends on the development and capacity of the other country. This idea is shared not only by experts and economists, but also by senior executives in Belarus. Belarusian economists believe that a 1 percent contraction in Russia's GDP results in 0.8 percent narrowing of Belarus's GDP, although only accounts for the initial reaction. Given the time lag that spans roughly three quarters and the lack of any adjustment mechanisms at the current stage, a 0.8 percent reduction in GDP in Russia would potentially bring about a contraction in Belarus's GDP by 1–1.2 percent. This tendency has been noted by the economy minister: "half of GDP depends on Russia, either directly or indirectly" (Snopkov 2014).

Politics

The crisis in the Belarusian economy encourages some representatives of the state authorities to look for external resources without sufficiently critical attention to the existing geopolitical and geoeconomic status of the country. The concept of an "equidistant" Belarus belongs to their arsenal. At the same time, the notion of an "integration of integrations" requires more clarification. This idea of an "integration of integrations" is remarkable from the perspective of Belarus and, admittedly, Russia and Kazakhstan as well. In short, this plan is not feasible. Minsk's attempts to act as a buffer zone between Eurasian and European integration projects can hardly be implemented. There is no "integration of integrations;" there is a conflict of integrations instead. Some may object that the Russian president spoke about the "integration of integrations" in his recent speech, but let us have a closer look at his United Nations General Assembly speech: "Russia advocates harmonizing regional economic projects. I am referring to the so-called 'integration of integrations' based on universal and transparent rules of international trade. As an example, I would like to cite our plans to connect the Eurasian Economic Union with China's initiative for creating a Silk Road economic belt. We continue to see great promise in harmonizing integration vehicles between the Eurasian Economic Union and the European Union" (Putin 2015). In other words, integration of the Eurasian Economic Union and the European

Union is a matter of future. How distant is that future? It can be assumed that if the project depended entirely on Minsk or Moscow, the matter would be tackled within a few months. However, it depends on Brussels, meaning it is a matter of several years under a best-case scenario.

Thus, turning Minsk into a negotiating venue for East and West, proposed by some Belarusian experts (Minsk Dialogue 2015), can be regarded as a possible agenda. The European Union envisages encouragement of Minsk for its special stance on the “Ukrainian issue.” However, it is more likely that the financial reward for Belarus’s role in the management of the peace process in Ukraine will come from Russia, not from Brussels. As a Russian–Finnish expert put it: “So far, the EU’s commendation of Minsk has had very few tangible results” (Moshes 2015, 3). Further, some have claimed that “Belarus became the only country on the continent where the parties (including the self-proclaimed DPR and LPR) were able to meet on a regular basis. Minsk became synonymous with a ‘peaceful process.’ Certainly this had a positive impact on Belarus’s reputation and strengthened Belarus’s relationship with the West” (Shraibman 2015). The continent is huge, but Minsk is geographically well positioned for Moscow and Kiev, and treating this as a special geopolitical function is wishful thinking.

In this context, the idea voiced by Belarusian experts that “Belarus should convert its relevance for the West and Russia in the Ukrainian issue into a technology breakthrough” (Shevtsov 2015) appears odd and utopian. Such a “conversion” is far from being properly implemented. According to the OSCE Office for Democratic Institutions and Human Rights (ODIHR) the presidential election of October 11, 2015, made clear that Belarus still has a long way to go before it complies with the OSCE’s standards for democratic elections. The newly reelected Belarusian president made a fair comment about the election: “This election will become an improvement only if the West wants it. If the West is willing, then there is nothing that can stop it” (Lukashenko 2015). This point seems fair enough, but “willingness” is something the West lacks. Ahead of the election, Foreign Minister of Lithuania Linas Linkevičius said that he would welcome the lifting of sanctions on the Belarusian president by the European Union. This is as far as the resoluteness of European politicians extends. No one promises to change anything for the sake of Belarus itself.

Under the circumstances, some members of the Belarusian expert community (e.g. Alekhnovich 2012; Starikov, Nosovich, Petrovskii 2015) increasingly believe that given Russia’s response to Ukraine’s turn towards the West, Russia would also readily destabilize Belarus if Minsk turned its back on Moscow. However, a closer look at such comments makes clear that these concerns are mostly voiced by Belarusians and Russians who live abroad. Notably, many experts who reside beyond the Union State [of Russia and Belarus] understand that Belarus cannot be defeated as long as it stays united, but if it is divided, this could perhaps happen.

Belarus’s experience and its intellectual and manufacturing resources demand pragmatic, not utopian projects in line with the national spirit of peace-loving workers. Objectively, Belarus cannot become the assemblage point for the entire Eurasian space, but it remains an integral part, a central drive belt. The Minsk dialogue platform is important, but

situational. The Ukrainian crisis will eventually be resolved, and Belarus would be wise not to overuse the “Minsk dialogue” platform. The power of Belarusian state and society lies in its reliance on brotherly relations with Russia, work in the Eurasian Union and the SCO, and engagement in joint projects with Moscow and Beijing.

The bottom line is that the Belarusian economic model, as currently exists, can only survive if Russia continues to offer support. A possible solution to the competitiveness challenge is a transfer from the paternalist, quasi-resource-based economic model to a postindustrial, investment-based option. However, this path envisions tough unpopular reforms and shock therapy in the most cynical version of the twenty-first century. Unlike Belarusian liberal experts, this author is unwilling to impose such a model on Belarusian society and authorities. Given the country’s historical and cultural background, in the medium term, the demand for reform can be satisfied based on a scenario alternative to the catastrophic one adopted by Belarus’s southern neighbor. In today’s changing world, the relationship between Russia and Belarus as a link between two especially close and related nations remains constant. These two peoples share the same understanding of major historical events and vision for the future.

References

- Alekhnovich, A. 2012. Vil'nius prevrashchaetsia v stolitsu dlia belorusskoi oppozitsii [Vilnius Becomes a Capital of the Belarusian Opposition]. Accessed May 20, 2015. <http://www.dw.com/p/15H1p>
- Lavnikovich, D. 2015. “Dezhaviu po-belorusski [Déjà vu in the Belarusian Style].” *Delovaia gazeta*, May 19. Accessed September 15, 2015. <http://bdg.by/news/authors/dezhavyu-po-belorusski>
- Lukashenko, A. 2015. “Uluchshit' otnosheniia s Zapadom možno tol'ko pri zhelanii samogo Zapada [To Improve Relations with the West is Possible if the West Wants it].” October 11. Accessed October 12, 2015. http://naviny.by/rubrics/elections/2015/10/11/ic_media_video_623_9554
- “Minskii dialog [Minsk Dialogue].” 2015. Accessed September 15, 2015. <http://liberalclub.biz/?p=15837>
- Moshes, A. 2015. “Can EU–Belarusian Relations Be Reset?” *PONARS Eurasia Memo* No. 387. Accessed October 2, 2015. <http://www.ponarseurasia.org/memo/can-eu-belarusian-relations-be-reset>
- Primakov, E. 2012. “Bez vmeshatel'stva gosudarstva v ekonomiku segodnia nel'zia usovershenstvovat' rynochnyi mekhanizm i dostich' nuzhnogo nam urovnia konkurentsii [Now It Is Impossible to Improve the Market and to Reach the Anticipated Level of Competitiveness without State Intervention into the Economy].” *Rossiiskaia gazeta*, December 17. Accessed May 15, 2015. <http://m.rg.ru/2012/12/17/primakov.html>

- Putin, V. V. 2015. Speech on the Occasion of the 70th Anniversary of the United Nations. New York, 28 September. Accessed September 30, 2015. <http://kremlin.ru/events/president/news/50385>
- Rudiy, K. V. 2015. "Strukturnye ekonomicheskie reformy: neobkhodimost' dlia respubliki Belarus' i zarubezhnyi opyt [Structural Economic Reforms: A Necessity for the Republic of Belarus and Foreign Practices]." *Belorusskii ekonomicheskii zhurnal [Belarusian Economic Magazine]* 1: 30–41. Accessed June 23, 2015. <http://bem.bseu.by/rus/archive/1.15/BEJ-1-2015-Rudy.pdf>
- Shevtsov, Iu. 2015. "Ne dat' raskolot' Evropu na Zapad i Rossiiu glavnaia zadacha Belarusi [Not to Allow for a Split of Europe into the West and Russia is Main Task of Belarus]." September 28, 2015. Accessed October 30, 2015. http://imhoclub.by/ru/material/ne_dat_raskolot_evropu_na_zapad_i_rossiju/preview/1?userlast=727
- Shraibman, A. 2015. "Tri prichiny, pochemu Belarusi ne nuzhna rossiiskaia aviabaza [Three Reasons Why Belarus Doesn't Need a Russian Airbase]." *Nasha Niva*, 29 September. Accessed October 2, 2015. <http://nn.by/?c=ar&i=157139&lang=ru>
- Snopkov, N. 2014. "VVP Belarusi napolovinu zavisit ot Rossii [Belarus's GDP Depends on Russia by 50 Percent]." *Nasha Niva*, December 11. Accessed May 15, 2015. <http://nn.by/?c=ar&i=140265&lang=ru>
- Starikov, A., A. Nosovich, P. Petrovskii. 2015. *Anatomiiia «evropeiskogo vybora»: NKO Pol'shi i Pribaltiki v Respublike Belarus' [The Anatomy of "European Choice:” NGOs of Poland and the Baltic States in Belarus]*. Kaliningrad: RuBaltic.Ru. Accessed October 2, 2015. <http://www.rubaltic.ru/upload/medialibrary/ffa/ffafd9c7a92fde4d14d30e2041c2e3a7.pdf>

About the author

Nikolay Maratovich Mezhevich is Professor of Foreign Relations at St. Petersburg State University, Doctor of Science in Economics.