

### **IMF to provide US\$2.5 billion to Belarus, National Bank devaluating currency**

On December 31, 2008, the International Monetary Fund (IMF) staff mission and the Belarus authorities reached an agreement, subject to approval by IMF management and the executive board, on an economic program to be supported under a 15-month stand-by arrangement for \$2.5 billion.

According to Dominique Strauss-Kahn, managing director of the IMF, "measures agreed include a strengthened monetary and exchange rate policy framework, fiscal restraint through cuts in public investment and directed lending by banks, and strict public-sector wage restraint."

In the wake of the deal the National Bank of Belarus devaluated the Belarusian ruble by some 20 percent on January 2, 2009, pegged it to a currency basket consisting equally of Russian ruble, American dollar and euro, and raised its benchmark interest rate to shore up the teetering economy as the global financial crisis batters Europe's emerging markets.

On January 2, the dollar/Belarusian ruble exchange rate was set at 2,650 Belarusian rubles compared with 2,200 on January 1, euro/Belarusian ruble at 3,703 compared to 3,077 and Russian ruble/ Belarusian ruble at 90.16 against previous 76.89. Immediately afterwards, the outside of the exchange offices and banks, Belarusians could buy the US dollar for more than 2,750 rubles. It was reported that the demand for imported household appliances has increased rapidly as Belarusians try to offset a sharp drop in the value of the Belarusian ruble.

In addition to the announced IMF loan and the recently - approved credit from Russia (\$2 billion), Belarus is seeking even more funds. It turned again to Russia for an additional 100 billion-ruble (\$3.5 billion) loan, which, according to Russian Deputy Finance Minister Dmitry Pankin should help shift bilateral trade from dollars to Russian rubles.

At the same time, Minsk approached the United States seeking a \$5 billion loan, although Alyaksandr Lukashenka stated he wasn't hopeful Belarus would get positive reaction from Washington. According to IMF's Strauss-Kahn, Belarus faces a difficult economic situation. It "has also been hit hard by the global economic crisis. Adverse terms of trade movements, falling demand from trading partners, and difficulties in accessing trade and other external finance have led to a decline in Belarus' international reserves". So far, neither Russia nor the US have commented on the latest financial requests from Belarus.

*Sources: Banking Business Review, Bloomberg, RIA Novosti, AP, Charter '97*

### **Conviction of an opposition activist, protest of small entrepreneurs and registration of the "For Freedom" Movement**

On December 9, 2008, the Belarusian opposition activist Alyaksandr Barazhenka was convicted for his participation in an unsanctioned protest which took place back in January 2008. Around 2,000 entrepreneurs protested against a new legislation that doubled their taxes and forced them to re-register their businesses. After being ordered to stand trial as one of the charged in the "Process of 14", Barazhenka fled to Poland and returned to Belarus only in late October 2008. Two activists sentenced in the "Process of 14" were imprisoned and nine put on probation. All have since been freed as part of President Lukashenka's efforts to improve ties with the West. Barazhenka, who was sentenced to a year of restricted freedom, is the last one to serve the sentence.

A few days after Mr. Barazhenka's trial, on December 15, more than 2,000 Belarusian small traders demonstrated against the government plan to fight the effects of the world financial crisis by making illegal most small-scale goods imports. The plan is aimed at generating tax revenues from small-scale Belarusian traders carrying products into the country and avoiding

import tax by declaring the goods personal effects. Police presence was moderate and no accusations were raised. Although at some locations, the gathering obstructed traffic - a violation giving Belarus' police a legal right to intervene – there was no action from the side of the police.

On December 17, the opposition movement "For Freedom" of one-time Belarus presidential candidate Alyaksandr Milinkevich was finally officially registered. Over the past two years the movement made three unsuccessful attempts to be registered by the Belarusian authorities. The decision was welcomed both by the EU Commission as well as the EU High Representative for the Common Foreign and Security Policy Javier Solana who expressed his belief that the decision "will further support positive developments in the relationship between the European Union and Belarus".

The movement "For Freedom", with its goals of defending human rights and civil activism, became the first significant opposition structure registered in Belarus in the last 8 years. On the other hand, according to Belarusian political scientist Uladzimir Rouda "it is not such a big concession. Whether there is one civil organization more or less will not affect the status quo much."

*Sources: AP, DPA, Javno, Charter '97, ERB, AFP, Human Rights House, RFE/RL*