

Conclusions and Recommendations Regarding Policy and Assistance of the Slovak Republic to Belarus

Prepared by the Pontis Foundation as a follow-up on the round table on Belarus organized by the Slovak Ministry of Foreign Affairs and the Pontis Foundation

Introduction

On July 21 2009, the Pontis Foundation prepared a round table with its guests from the Belarusian Institute of Strategic Studies to discuss the current situation in Belarus and the opportunities for further EU engagement in the country. It took place at the Slovak Ministry of Foreign Affairs, under the patronage of the State Secretary Diana Strofova, who emphasized that even if Slovakia might not be seen in Minsk as an example for Belarus, it wishes to become an inspiration. Belarusian guests highlighted the positive role of Slovak development aid in the country, the active cooperation with Slovak NGOs, and the previous activities of the Slovak embassy in Minsk. Representatives of the Pontis Foundation stressed that Slovak diplomacy towards Belarus, which simultaneously supports democratization and strengthening of economical co-operation between both countries, is a good example of a complex approach. This approach successfully connects values promoted by the Slovak Republic with economical interests. The following points were drawn from a presentation by the Pontis Foundation and its Belarus partners, and were further elaborated to form conclusions and recommendations.

Background

1) As is the case for other countries in the region, Belarus has been affected by the economic crisis. The economy is on track to contract by 4% in 2009. The fall in oil prices, followed by the collapse of demand on Russian markets, have greatly reduced state budget revenues. More than 10% of all production goes to storage rather than stores. The government is under serious pressure to maintain socio-economic stability, which forms the basis of the social contract keeping President Alyaksandr Lukashenko in power. The economic downturn came at a highly inopportune time for Lukashenka, with presidential elections due to be held in late 2010. Unable to further rely on Moscow's financial help, and in an attempt to avoid the overtaking of Belarusian companies by Russian firms, Belarus embarked on the road of economic transformation and de-freezing its relations with the EU to compensate for the current economic problems. These developments explain the **shift in Belarus' foreign policy: Minsk considers closer relations with the EU a way to maintain socio-economic stability**, which forms the basis of the regime's social contract with the society.

2) Russia has been growing increasingly uneasy about the continued bankrolling of Belarus' unreformed economy. In recent years, it has increased the price of gas sales to Belarus (in 2007) and, more recently, it refused to provide instalments of the balance-of-payments loans in a currency other than the Russian rouble. Growing tensions also manifested themselves in the 2009 'milk war'. While Moscow's current geopolitical focus is on Ukraine and Georgia, it will need to address Europe's growing gas consumption. Belarus – supported by Poland – has argued for construction of Yamal II pipeline, which would boost transit of Russian gas through Belarus' territory to Poland and eventually Germany. If completed, Yamal II would make Belarus the transit country of almost half of the Russian gas exports to Europe, potentially crossing the Slovak territory. To decrease its dependency on transit countries, Russia has instead focused on development of the Nord Stream route. Its construction - albeit more expensive and already delayed - has effectively terminated discussions about Yamal II. In addition, Russia has also begun construction of a new oil pipeline (Unecha – Primorsk) that would bypass Belarus via the Baltic Sea. If completed as planned (2012), it could eventually make transportation of oil through Druzhba pipeline redundant: this would have tremendous impact not only on Belarus (whose two refineries make up for 20-40% of its GDP): if the southern branch of Druzhba ceases to be used, Slovakia will be greatly affected too.

3) **This shift in Belarus' foreign policy is tactical necessity rather than strategic one.** Lukashenko's overall goal remains to preserve his own power, legacy and political afterlife and impunity for his persona and assets. To do that, he needs the economy to function, and that is unlikely to happen without gradual transformation¹ of the state-controlled economy and additional funds. Belarus is also borrowing extensively from abroad (including from the International Monetary Fund). The regime is being forced to take considerable social and political risks to stop the economic downturn. In sharp contrast to the previous policies of maintaining the stability of Belarusian rouble, the government allowed the currency to devalue early this year, thus undermining one of the main pillars of the social contract with the society. Because the crisis had decreased interest of Western investors in Belarus and diminished the prospect of cash flow from privatisation, the country has become more interested in the potential of its co-operation with the European Union.

4) The economic reforms have so far not translated into tangible results in political liberalisation. By inviting Belarus to the Eastern Partnership (despite the country's obvious democratic deficit) and by pursuing dialogue with the high officials (despite the fact that Minsk failed to meet most of the EU political criteria) Brussels signalled new willingness to engage the country's undemocratic regime – an important geopolitical change in comparison with the previous years of isolation. Still, the inclusion of Belarus in the Eastern Partnership (EaP) programme is an opportunity for the EU to boost its position in the country and replace Russia as the main player. The EU could and should use its increased co-operation with Belarus to press for gradual improvements in the areas of civic and political liberties. The opportunities are there: it is Minsk which now needs the EU, more than the other way round.

Key principles for the Slovak assistance to Belarus

5) Belarus has been a recipient of Slovak official development assistance since 2003. Most of the aid went to support public policy, cultural exchange and regional development, through Slovak NGOs. This support has brought tangible results and impact on the ground: **some of the most successful Belarusian non-governmental organisations today** - be it the Office for a democratic Belarus, Belarusian Institute for Strategic Studies or the civil campaign *Budzma!*² - **have all been developed also with the assistance of Slovak NGOs and also partially through Slovak public funds (Slovak Aid).** Later, thanks to Pontis' close co-ordination with the US and EU funders, all these initiatives have received support from USAID and EU sources (EC, German foundations, Swedish, Danish and Czech government funds), thus ensuring their sustainability. This model – Slovak NGOs providing ideas and bigger international states or private donors providing vital financial assistance - has proved particularly successful in Belarus and should be further employed and supported by the Slovak MFA and Slovak ODA.

6) **On the policy level, Slovakia successfully followed the two-track approach:** limited contacts with authorities, and intensified communication with civil society, which was the policy set out by the EU in 1997. During its local EU presidency in Minsk in 2007 (on behalf of Portugal) as well as its chairmanship of the Council of Europe, **Slovakia proved that it is possible to combine frank political dialogue with good business relations:** it was during this period (2007 – 2008) that the bilateral trade between Slovakia and Belarus rose to its highest ever level³, despite Bratislava's tough stance towards political repression

¹ The government had planned to privatise, or partly- privatise 519 companies during the 2009 - 2010 period, and launch a stock market. Although the current crisis has delayed privatisation, recently the government has agreed to the IMF conditions and plans to establish an Agency for privatisation, which would oversee the privatisation. Further reforms are in store: the government ended the practice of the state holding 'golden shares' in companies and gave directors of state enterprises more responsibility for management of the companies. Tax rate for incomes from shares and bonds was decreased by almost half to 24 per cent. The government intends to gradually cancel the ban on trading shares of privatised enterprises which were acquired for vouchers.

² The Office for a democratic Belarus in Brussels works to strengthen ties between Belarus' pro-democracy groups with the EU and the US as well as international organisations and media. BISS was established as a platform for a policy dialogue with all stakeholders to generate positive alternative scenarios for political, economic and social transformation of the country. Civic campaign *Budzma!*, co-ordinated by a consortium of Belarusian NGOs, aims to foster the Belarusian national identity as opposed to post-Soviet mentality in Belarus. In a year's time, it has grown into one of the most successful civil campaigns in years. These initiatives were supported by a co-ordinated group of international donors and implementers, including the Pontis Foundation.

³ The volume of bilateral trade rose by 41.6% (year-on-year) in 2007.

perpetrated by the regime. Slovak experience with economic reforms is particularly relevant to Belarus.⁴ Like Bratislava earlier in this decade, Minsk is in a hurry to upgrade its economy and increase the competitiveness of its products on foreign markets; it also needs to learn how to get the most from its intensified cooperation with the European Union. Slovakia, which once lagged behind other Central and East European states but caught up with the rest of the region once it implemented the necessary socio-economic reforms, can be a very useful and practical inspiration for various partners in Belarus.

7) Slovak Foreign Ministry and its Slovak Aid program (administered by the Slovak Agency for International Development Cooperation) **should ensure that future assistance is clearly focused on supporting Belarus' socio-economic transformation and 'Europeanisation'**. To this end, transfer of our own transition experience and know-how on socio-economic reforms would be most valuable. In this regard, the government has an effective ally in Slovak NGOs, which have considerable in-country experience and an extensive network of contacts in Belarus. Slovakia would also benefit from **better coordinating its assistance with other donors and from leading or joining multilateral donor projects**, thus increasing the overall impact of limited Slovak funding allocated for Belarus. Active work of the Slovak Embassy on the ground and ongoing dialogue with the authorities as well as non-state actors including the civil society, opposition and local businesses, would contribute to an increased exchange of contacts, people, expertise and the volume of mutual trade. Through these efforts, actively coordinated with all other EU partners and stakeholders, **Slovakia could add to the overall momentum built up after the re-engagement between Belarus and the EU, and in the longer term, help move the country beyond the tipping point.**

8) Given its previous good record of coordination of its policy and assistance towards Belarus, Slovakia could be leading the effort to ensure the Union systematically follows the same path, which has previously not been the case. The EU is right to engage with Belarus both bilaterally and multilaterally through Eastern Partnership; however, the engagement must be mutual and cover political as well as economic areas, in order to bring about benefits for the whole society rather than just the Lukashenko's ruling elite. Therefore, **Slovakia should stick to the 'transition – Europeanisation' focus of its assistance and** at the same time, **become one of the leading voices calling for a comprehensive EU approach towards Belarus** (which so far does not exist) combining policy and development assistance objectives to achieve the ultimate goal: a modernized and democratized Belarus.

This is even more important now, when the EU has yet to define the content of its EaP initiative. While its overall goal is to build closer political and trade relations with Belarus and other Eastern partners, Slovakia should advocate for two goals under the EaP umbrella:

- Greater focus on people-to-people contacts and support for civil society development,
- Active push for a real visa liberalisation, as one of the best ways of exposing Belarusian society to the European alternatives, provided Minsk meets all technical conditions.

Fostering contacts between people and exposing Belarusian society to alternatives should become a priority both for Slovakia and the EU.

⁴ This was already noted by the Pontis Foundation in 2005 and re-confirmed during Pontis Foundation's recent visits to Belarus, during which Slovak energy and health care experts met with the government officials. They were keen to learn the lessons from Slovak economic and social transformation, and emphasised the similarities between Slovakia and Belarus at each of the meetings, such as the joint round tables on energy efficiency, which took place in Belarus recently and featured state officials and independent experts from Belarus as well as from abroad.