

An important election despite predictable results

The October 11 presidential election was the most important political event in Belarus in years. President Alexander Lukashenko, who was elected to a fifth term, benefited from the fragile security situation in Eastern Europe. It is not the opposition, but the economic problems in Belarus that pose a challenge to the president. To cope with this situation and to mitigate social and economic consequences, financial support is necessary from Russia and the West. Although the elections were peaceful, the EU should not be guided by purely pragmatic considerations in dealing with Belarus; it should watch developments in Belarusian society closely.

Domestic politics: No political struggle

The results of the presidential elections of October 11, 2015, were predictable. The security situation in the region remains fragile due to the conflict in Ukraine. This significantly influenced voters' decision to grant Alexander Lukashenko a fifth term. According to official figures, Lukashenko and his policies were backed by 83.5% of all voters. The political opposition has never been as fragmented as it is now; it was not able to agree on a common candidate. Tatyana Korotkevich of the "Tell the Truth" movement did not have a traditional profile as an opposition candidate. She sought to address an electorate located between traditional Lukashenko voters and opposition supporters. It might be her long-term goal to fight for a place for the opposition in the Belarusian political system. However, with an official result of less than 5% of votes, Korotkevich is still lacking a clear political profile.

The economic situation is the real challenge

The economic situation in Belarus, and not the political situation, presents Lukashenko with the greatest challenge. This was visible in the 2015 campaign: there weren't any "gifts" distributed in the form of wage increases. On the contrary, the social and economic situation is deteriorating: industrial production is slipping and exports are falling, inflation remains high, the Ruble is falling, and real wages have dropped. Since the beginning of the year, businesses in Belarus have generated up to 50% less profit on average. Up to 20% of all businesses are not profitable. Forecasts show that the Belarusian economy is experiencing a recession in 2015 for the first time in 20 years, with a 3.5% decline in real GDP. In addition, the two largest markets for Belarusian goods — Russia and Ukraine — remain mired in serious crisis. The Belarusian econom-

ic model seems to have run into a dead end with its dependence on the Russian market and Russian energy. Economic problems are immanent in the Belarusian system. Greater competitiveness could be achieved by opening the economy and political system. This approach would necessarily entail difficult and unpopular reforms. The moderate prosperity of Belarus is currently financed by loans and subsidies from Russia, which are becoming increasingly scarce. To acquire further external funds, the normalization of relations with the EU and international financial institutions has become even more important.

Lukashenko's election campaign

Domestically, the campaign's goal was to demonstrate a consolidation around President Lukashenko. Abroad, it sought legitimization of his power by the international political community, and an increased level of trust. In addition to high-ranking diplomats from the EU and the US, a delegation from the Parliamentary Assembly of the Council of Europe (PACE) travelled to Minsk in September. Negotiations with the International Monetary Fund (IMF) and the European Bank for Reconstruction and Development (EBRD) have been intensified, although Minsk has not yet been able to demonstrate sufficient progress in reforms. The negotiations with the IMF, which began in July 2015, have not yet led to a new program, but it can be expected that the peaceful course of the elections will positively influence the decisions of the international financial institutions. This was indicated at a recent meeting between President Lukashenko and IMF Director Lagarde.

The release of political prisoners on August 22, 2015, was an important step toward the normalisation of relations with the West. One of the main obstacles to an intensification of political and economic cooperation with the West was thus overcome.

The peaceful course of the elections was a signal in all directions. The EU was shown that the political opposition in Belarus is not competitive. Moscow was shown that pro-European forces are weak and cannot offer an alternative approach. Domestically, it was demonstrated that security and stability have the highest priority.

EU-Belarus relations: Is the ball in the EU's court?

The basis for current cooperation with Belarus is still the Trade and Cooperation Agreement concluded with

the USSR in 1989. The bilateral Partnership and Cooperation Agreement (PCA) negotiated in 1995 between the EU and Belarus has not been ratified. Belarus is part of the European Neighbourhood Policy (ENP) and the EU's Eastern Partnership, but only in a multilateral format.

The results of the elections in Belarus challenge the EU to find useful tools and strategies for dealing with Belarus. Lukashenko has indicated that the improvement of bilateral relations now depends on the EU. Immediately after the elections, the EU announced that the sanctions imposed against Belarus due to violations of human rights will be suspended for four months. This includes sanctions against persons and businesses, but not the arms embargo. The EU's foreign policy chief Mogherini and EU Commissioner Hahn, who is responsible for European Neighbourhood Policy, underscored the peaceful nature of the elections.

Pragmatism and *Realpolitik*

The EU cannot currently offer Belarus anything strategically. Although the EUR 19 m earmarked through the European Neighbourhood and Partnership Instrument (ENPI) for joint projects with Belarus between 2014 and 2020 are important, they will not solve the structural problems of the country. Despite economic benefits and a potential deepening of social cooperation and development, threats to regional security will dominate the EU agenda with Belarus. It is in the EU's interest to maintain the status quo in Belarus and not to jeopardize the stability of the EU's eastern border. In this context, the EU should bear in mind that Minsk is not interested in political rapprochement but in other forms of cooperation, such as infrastructure investment and cross-border economic cooperation.

The EU must ultimately decide which tactics are appropriate in dealing with Minsk and which measures should be applied in which order. Minsk has a great interest in funding from the EBRD. It wants political support in negotiations with the IMF and in negotiations toward WTO accession, which have been underway for more than 20 years. On the other side, the EU expects progress on the part of Belarus with respect to the agreement on mobility (e.g. an agreement on "deportation rules for asylum seekers"). The Belarusian side seeks to make this conditional upon the lifting of sanctions.

Conclusion

The fact that Belarus is currently pursuing stability-oriented macroeconomic policies and wage development is no longer detached from productivity should be evaluated positively. It remains questionable whether these measures can be seen as a willingness on the part of the re-elected president to initiate comprehensive economic reforms. Political pressure on Lukashenko will increase as the crisis continues, forcing the government to rethink economic policy. The EU should make more intensive use of existing instruments in educational and cultural cooperation, such as the Bologna Process, in order to address Belarusian society. It should ease visa restrictions in order to strengthen dialogue in civil society—regardless of political situation. As the current example of Belarusian Nobel laureate Svetlana Alexievitch demonstrates, a sometimes controversial process of social development is taking root in Belarus. The EU should not neglect this process.

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Note: This text is the sole responsibility of the author and does not necessarily reflect the opinion of the German Economic Team.

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