



## **Belarus changed external imbalance into internal one**

Ahniya Asanovich | 10.10.2011

*Power ambitions again made Belarusian government to make wrong priorities. The perspective of economic hardships did not stop the authorities from splashing out while increasing the public spending before presidential elections in December 2010. Eventually Belarus witnessed economic default made of financial crisis, devaluation of Belarusian national currency, shortage of foreign currency, sharp rise of prices and urgent need of foreign loans to keep the country afloat.*

### **Devaluation**

There's nothing left but to accept that Belarusian currency lost its value on international exchange market. Abroad one could hardly find a bank willing to exchange Belarusian money. In order to buy 30 dollars in a Belarusian bank one should seat in a bank a day long, or travel round Minsk, sometimes with no results. It's happened that those, who managed to purchase a car well in advance before July 1 (misprint), won twice: they escaped custom duties for importing the car, which are to be established according to the laws of the newly established Customs Union between Belarus, Russia and Kazakhstan; they had dollars or Euros to buy a car as such [1].

Firstly, Belarusian government kept artificial exchange rate in the country playing around 3000 Belarusian rubles for a dollar and by that "fulfilled" election pledge – the salary of 500 dollars. The Central Bank deliberately introduced multiple exchange rates. Surely that wouldn't last long and Belarusian banks have been told to establish the rate of around 5000 Belarusian rubles for a dollar. Still the rate continues to be kept by the authorities, for in

**DespiteBorders**



black market the rate is twice more. For instance, on May 16 the interbank exchange rate made 6.225 dollars, when official was just 3.085 Belarusian rubles. In the end of May Belarusian ruble was devalued by 56 % [2]. And nowadays Belarusian currency can't provide the standard of value and saving.

### ***Foreign currency deficit***

As far as the reserves of foreign currency are concerned, they are dwindling in Belarusian banks. Foreign currency is enough to cover just a monthly import. It's harder and harder for Belarusian enterprises, who order certain materials from Europe, to keep on their activity, for they don't possess Euros to pay for the services [3]. In this regard "en plus" Belarusian authorities decided to abolish obligatory sell of foreign currency to enterprises, who service foreign corporate debt. Redundant measure in situation with rate disequilibrium.

Financial crisis and foreign currency deficit brings about the issue of common currency (Russian ruble). Theoretically single currency fit well into economic relations between Belarus and Russia within Common Economic Space project. National Bank of Belarus is desperate but reserved in this regard. Belarusian economic analyst, Leonid Zaiko, thinks that in current situation it's easier for Belarusian government to introduce common currency [4]. Moscow quite appreciates the idea of common currency but not in the context of economic instability in the neighbouring country [5].

The prices in their turn skyrocketed to make citizens of Minsk think twice before buying a product they used to buy. In the regions the price challenge is perceived as well but is not so feasible as in Minsk or other big cities. The prices are the same but evidently the scope of interests and ambitions of people is different. The price increase doesn't go in hand with

**DespiteBorders**



increase in salaries. What is more, short hours of work or workers reduction are practiced in Belarus.

### ***Official rescue strategy – loans, loans and loans***

In June Belarusian government accepted the inevitability of devaluation of Belarusian ruble; still it won't coincide with the principles of Belarusian government to accept economic crisis in Belarus publicly. The government couldn't but come up with the state "anti-crisis plan" [6, 7], where not a word was spoken about "crisis" or "devaluation". The government aims at creating and maintaining positive image of Belarus by means of mass media and being ready with documentation to apply for foreign credits. The key strategies of "the plan" are as follow: to liquidate a number of working places, increase export, seek foreign investments, accept certain payments in foreign currency (taxes, tourism & hospitality, transportation) and feel Belarusian market with national products. In a nutshell, "the plan" is a message to IMF about the readiness of Belarus to economic restructuring without any restructuring meant. "The plan" as a matter of fact is not an "anti-crisis" or "reform" plan; Belarus just needs IMF bail-out badly. The trenched credit by EurAsEC is enough to guzzle it away, with IMF credit Belarusian economy can last longer. The first trench from Eurasian Economic Community would not change financial situation in the country, for it's likely to be reserved in the National Bank and cover critical import. At least with the help of IMF Belarus would be able to establish equilibrium exchange rate.

Belarusian authorities continue relying on Russian subsidies since independence of Belarus, and have not worked out any Belarusian economic model capable of reproduction. Belarus flourished in a modest but rather satisfactory way till Moscow was ok with Russian cheap gas and crude oil being processed and exported to Europe and Belarus receiving all the profit.

### **DespiteBorders**



Naturally Belarusian authorities respected Russian interest in the country in a different way, military, technical and transitory one. With time power ambitions of Belarusian authorities, which led to diplomatic conflicts with Europe and the US, totally outdated and unreformed character of Belarusian economy, almost unable to survive at modern market, maneuvered Belarus into a corner with no ground to show Moscow its eccentricities. Belarus is known not only for highly centralized economy but for excessive state sponsorship of state enterprises. Overcrediting of the state enterprises resulted in sharp increase in credit demand and current account deficit by 16 % of GDP in the end of 2010 [8]. Under noncompetitiveness of Belarusian economy one understands not just export orientation and import substitution approach in the country, but non practice of market mechanisms, which makes Belarus an economic pariah. The country has exclusively industrial vision of the economy. State overregulated Belarusian economy is based on assemblage of imported details (mainly from Russia), thus it's an economy without added value. No one in Europe and other world markets is waiting Belarus with its industrial goods [9, 10]. Belarus enters European market through export of potash (Belaruskali) and processed Russian oil (refineries in Novopolotsk and Mozyr) [11]. Other Belarusian products are mostly welcomed at Russian and CIS markets. When Russian market *is* open to Belarusian goods, Belarusian market is closed to Russian [12].

Belarus asked Eurasian economic community anti-crisis fund for a credit of 6 bln. dollars, and received 3 bln. dollars on conditions to privatize, in other words to sell 7.5 bln.dollars in state assets, and realize deep economic reforms. Almost everything Belarus was proud of or had as a trump card in politics with Moscow, now is to become one of Russia's trophies, including Beltransgas and Belaruskali. Russia is not so kin about Belarusian state assets; it

### **DespiteBorders**



just wants to have at least something back from a number of unpaid loans it has given to Belarusian authorities.

Half of the shares already belong to Gazprom from 2010. Belarusian authorities are ready to sell the other half by 2,5 bln.dollars. By selling to Russia one of the key assets Belarusian government wants to secure home Russian prices for gas [13]. Russian authorities prefer not to mix price for gas and price for Belarusian assets. On the other hand Russia makes the only client interested in Beltransgas, devalued by the perspective of launching Nord Stream.

Belarusian president estimated Belaruskali by 30 bln. dollars, including dollar inflation level [14]. The director of Nafta Maskva, Mr. Kerimov, expressed his readiness to purchase control stake of Belkali by 15 bln.dollars. Russian political analyst, S. Belkovski, names influential businessman Kerimov “an ambassador of piece” between Kremlin and Minsk in this regard [15]. Independent economic analyst Sergei Chaly [16] thinks that in terms of business, excluding sentiment for a national patrimony, it’s more reasonable to sell Belkali now, because assets have high value, the prices for potash are growing and it’s actual for the current tendency of merging and submerging.

Russia actually is interested in buying three Belarusian state assets: Beltransgas, Belaruskali, and MAZ. Russia and Belarus are in the process of discussing merge of MAZ and KamAz. When Belarus is again interested in the opportunity of free investment with maintenance of state status of the enterprise, Russia wants to acquire 100 % of the shares or get a control share, living Belarus with 25 % of share [17].

Privatization of other, mostly unprofitable, enterprises is of need and initiative of Belarusian government under economic crisis conditions. Involved into economic integration projects

### **DespiteBorders**



with Belarus, Russia wants to have a stable partner, not an eternal creditor, whose economy is too far from being market one.

All in all the authorities want to create a positive image of inevitable privatization, and Belarusian prime minister, Mr. Miasnikovich [18] interpreted it as means of gaining money to establish absolutely new industries. The official logic is again rather heavy here. Although through privatization by foreign investor effective management may come, Belarusian nomenclature would hardly give away its property and at the very least play business mediators between government and foreign investors. Belarusian officials faced the opportunity to transit from political to economic power, thinks independent economic analyst, Leonid Zaiko [19] and other experts, though there are no good managers among the bureaucrats as such. European management could have improved efficiency of Belarusian enterprises unless tough and business unfavorable conditions were proposed by Belarusian “state hunters for investments” without the intention to give the purchaser control over the state assets [20]. Anyway the three Belarusian enterprises, which are worth being purchased, for the others operate at a loss, are interesting almost exclusively to Russia. Never the less Kazakhstan also decided to take part in Belarusian privatization [21]. Thus Belarusian privatization project is to be generally realized within Customs Union.

From IMF Belarus seeks financial bail-out of 3, 5 – 8 bln. dollars. The statement about it appeared on Belarusian government webpage after the price rise for the products of basic use has been frozen till July 1. Tim Ash [22], the chief expert on developing markets in the Royal Bank of Scotland, thinks that the amount of money requested by Belarus from IMF is too high, for it equals the forth of Belarus total product.



Anyway Belarusian government needs not the credit to reform Belarusian economy but to tackle foreign currency deficit and normalize exchange rate [23]. Wise and perspective approach as usual. That's why any European bail-out if given, is to be preconditioned by deep economic reforms to be realized in Belarus. It's high time for Belarus to enter 21<sup>st</sup> century and to think of how to live by its own means, now when key Belarusian "survival means" to be sold to Russia. According to analyst of Exotix (frontier markets), Gabriel Sterne [24], without deep and serious reforms in monetary and fiscal policy Belarus will hardly overcome the crisis.

Taking decision about giving a credit to a country IMF doesn't take into consideration its "political record", though each its credit should be efficient, so to say with positive feedback. The fact of giving the loan to Belarus and its amount is not yet discussed in IMF, but recommendations have been kindly prepared. IMF is ready to cooperate with Belarus, if the government launches liberalization of financial market in the country, then it would be 3 year loan programme. Belarus should reduce state programmes financing, increase deposit rates, introduce floating exchange rate, tighten fiscal policy and stop artificial increase of salaries [25]. Although some recommendations have been included into official "anti-crisis" papers, they won't be realized by Belarusian government in reality and in full scope. Firstly, there is no experience of liberal practices in Belarus and secondly, the president will hardly introduce measures shaking social and economic position of the citizens, who would take it as deterioration but not as reforms. What is more, any reform and liberalization will unveil economic and managerial backwardness in Belarus of Mr. Lukashenka.

### ***Belarusian economic model unveiled***



Any loan can mean not only sympathy with Belarusian citizens but, as matter of fact, support of unreformed-like Belarusian economic model. Mr. Lukashenka's social contract proved to be unreliable, as it always have been, but it became visible, when looking at Belarus from perspective of modern international economic relations without Russian subsidies and with increased pressure from Moscow. Mr. Lukashenka is no longer able to guarantee relevantly stable well-being of Belarusians in exchange for loyalty. Belarusian president from 1994 was creating the land of "governable labours", who wanted no more than stable good salaries and working sight for toil. Now even these social guarantees are under risk. Belarusian authorities have established no real channels and mechanisms of democratic and deliberative communication between Government and people. No system of expression of public will and initiative has been developed. Public initiative and critical thinking supported by action leading to development of regional policy and administration doesn't exist, is not practiced or obstructed. Thus, what discontented "obedient workers" can practice, when faced with low and backdated salaries and astronomic prices, is not to address the authorities with proposals through Belarusian *registered* labour unions, which being a symbolic institutions try to be as quiet and peaceful as possible, proposing the workers a holiday trip to Avgustovski channel, but to launch a strike at the working sight, or make protests at the streets. As it was in case with sharp fuel price increase, when hundreds of drivers blocked Oktyabrskaya street in Minsk with "Stop petrol" action. In response Mr. Lukashenka reduced the price for petrol just by 500 rubles. It looked like mockery.

As far as small and medium business situation in Belarus is concerned the crisis and social discontent at last opened the eyes of the officials – Belarus needs it, the heavy burden of unprofitable state beneficiaries tripled. On June 10, 2011 the Government came up with the measures to support small business [26]. Unemployment is inevitable in the country, either



in the case of financial crisis (forced leave) or economic restructuring if any. Here, SMEs can create additional working places.

### ***Ideal citizens***

Belarusians make ideal citizens for an authoritarian leader, preferring to live in “isolated cave of Belarusian well-being”. It seems people can bare and digest anything any time. It’s not even the matter of patriotism but clear unawareness of how they can change the situation, what impact they can make. But they are always ready to work to make their living. The evidence is that Belarusians won’t stand up to fight for the values and political rights, business interest is more sensible in this regard and there’s a way to a protest here, for state support or nonintervention into small & medium enterprises’ activity is really procrastinated in Belarus. High prices, low salaries and work reduction [27], which became a tendency of 2011, can push Belarusians to a protest. Social protests have not and won’t have any link to the influence of opposition. It means that Belarusian population won’t rise interest in or change its attitude to opposition during the crisis and in the context of decrease of confidence in government.

### **Notes:**

- 1) ГТК: пошлины на ввоз авто точно повысятся с 1 июля (26.05.2011)/ Телеграф:  
<http://telegraf.by/2011/05/gtk-poshlini-na-vvoz-avto-tochno-povisjatsja-s-1-ijulja.html>
- 2) Девальвация рубля на 56% / Коммерсант.бай (25.05. 2011):  
<http://www.commersant.by/home/11-market/1087-rouble-devaluation-on-56-.html>



- 3) Валютный кризис отправил белорусский глянec в нокдаун (26.04.2011)/ Оршанский информационный сайт: <http://orshatut.by/2011/04/valyutnyiy-krizis-otpravil-belorusskiy-glyanets-v-nokdaun/>
- 4) Леонид Заико: Белорусский рубль стал денежным суррогатом / Белорусский деловой ресурс: <http://bdr.by/belworld/vlast/8381-2011-05-11-08-46-55>
- 5) Российский рубль введут в 2013 году (25.05.2011) / Общественно-демократический сайт Гомеля: <http://www.odsgomel.org/rus/новости/беларусь/5561/>
- 6) ПЛАН действий Правительства Республики Беларусь по обеспечению сбалансированного развития экономики в условиях изменения официального курса белорусского рубля. Постановление Совета Министров Республики Беларусь 25.05.2011 № 662 / сайт Совета Министров РБ: <http://www.government.by/upload/docs/fileae9cecd7b4edfec7.pdf>
- 7) Постановление правительства № 662 от 25.05.2011 «О дополнительных мерах экономического регулирования и социальной защиты населения»: <http://government.by/upload/docs/file56c74fef057aea7e.pdf>
- 8) Moody's прогнозирует дальнейшее сокращение ВВП Беларуси, несмотря на снижение дефицита текущего счета (08.06.2011) / Interfax – новости Беларуси: <http://ns1.interfax.by/news/belarus/93855>
- 9) Экономист Злотников не видит положительной тенденции для белорусской экономики в 2010 году (02.01.2010) / Экономика.бай: <http://ekonomika.by/ekonomisti-analitiki/kommentarii-leonida-zlotnikova>
- 10) Устоит ли белорусская экономика без внешних заимствований? (01.06.2011)/ Радио Свобода: <http://www.svobodanews.ru/content/transcript/24212224.html>
- 11) Белстат зафиксировал рост импорта и падение экспорта (Белоруссия) (2011) / ИА REGNUM: <http://www.regnum.ru/news/1384947.html>

**DespiteBorders**



- 12) Москва обвиняет Минск в искусственном ограничении российского импорта (09.03.2011) / tks.ru: <http://www.tks.ru/reviews/2011/03/09/06>
- 13) «Поставка Беларуси газа по внутрироссийским ценам должна быть обязательным условием продажи акций «Белтрансгаза» (07.06.2011) / Салідарнасць: [http://gazetaby.com/index.php?sn\\_nid=37034&sn\\_cat=34](http://gazetaby.com/index.php?sn_nid=37034&sn_cat=34)
- 14) Минск хочет за "Беларуськалий" \$30 млрд – Лукашенко (10.06.11) / : <http://www.rss.interfax.by/news/belarus/93946>
- 15) Кто купит Беларусь и за сколько?/ Ex-press (12.06.2011): <http://www.ex-press.by/article.php?id=7310>
- 16) Экономика на пальцах (09.06.2011) / Tut.by: <http://news.tut.by/tv/230058.html>
- 17) МАЗ и КамАЗ обсудили подходы к объединению (24.05.11) /МАЗСТСервис: <http://www.maz-gruzovik.ru/press-centr/stati/maz-i-kamaz-obsudili-podhody>
- 18) Мясніковіч нагадаў дэпутатам стратэгію беларускай прыватызацыі (24.02.2011)/ Наша Ніва: <http://nn.by/?c=ar&i=50877>
- 19) Белорусские власти готовят правовое поле для номенклатурной приватизации? / Белорусский деловой ресурс: <http://bdr.by/finans/banki/4622-2011-02-21-12-11-26>
- 20) Экономический ликбез TUT. Пилотная приватизация может быть "бракованной" (04.05.2010) / TUT.BY: <http://finance.tut.by/news168990.html>
- 21) Казахстан примет участие в приватизации белорусских предприятий (24.05.2011)/Белорусский партизан: <http://belaruspartisan.org/bp-forfe/?page=100&backPage=13&news=87195&newsPage=0>
- 22) Belarus to seek IMF bail-out / Financial Times (01.06.2011): <http://www.ft.com/intl/cms/s/0/9a436604-8c6c-11e0-883f-00144feab49a.html#axzz1O3puXtNu>



23) В ближайшее время Беларусь выйдет на реальный курс национальной валюты - премьер Мясникович (19.05.2011) / Информационно-справочный портал Беларуси:

<http://www.rss.interfax.by/news/belarus/92751>

24) Autocracy risk, Belarus edition / Financial Times (17.05.2011):

<http://ftalphaville.ft.com/blog/2011/05/17/570936/autocracy-risk-belarus-edition/>

25) МВФ: повышать зарплаты в Беларуси нельзя (13.06.2011) / Телеграф:

<http://telegraf.by/2011/06/belarus--i-mvf-nachali-obsuzhdat--novuju-kreditnuju-programmu.html>

26) Власти расширили меры по поддержке малого бизнеса? (11.06.2011) / Бизнес

лидер: <http://profi-forex.by/news/entry5000005567.html>

27) Проблемы на валютном рынке провоцируют массовые увольнения (28.04.2011) /

Работа.бай: <http://www.rabota.by/news/?p=6620>