

Analytical Report: August 2012.

Minsk

As we pointed out in July report, the strengthening of Belarusian-Chinese relations won't be really welcomed by Russia because of the probability of leakage of Belarusian military technology to China. The confirmation of this thesis was the information about the interest of Russia in the purchase of shares of "Peleng" company, which one of the largest companies of Belarusian military-industrial complex.

In August the conflict between Belarus and the West aggravated even more. And this time mainly with Sweden. By tradition, the initiator of this aggravation was Belarus. However, unlike previous diplomatic scandals, such as ones with the U.S. or Poland, Minsk got not just hard, but apparently disproportionate response from the other side. It seems that in the West is less likely to be patient in relations with the Belarusian authorities.

The system and sequence of actions of Belarus in order to escalate the confrontation with the West indicates the presence of influential people, who are interested in the preservation of the situation and the country's isolation, in power. And there is no unity in the ruling group of people. Stability of the entire state mechanism is threatened not so much by the current political strategies (resumption of cooperation with the West or isolation), but by the very fact of split within the authorities in the situation of a crisis of legitimacy, lack of external support and adequate internal resources for the development of the state.

The changes in the Belarusian top bureaucracy are also interesting. Contrary to opinions, that the latest decisions of Alexander Lukashenko about the changes in the staff are influenced by Russia or the West, we tend to think that everything is somehow simpler. The issue of preservation of absolute controllability of the state apparatus is the main reason for Alexander Lukashenko's taking decisions on changes within the top bureaucracy. Both the West and Russia are just background here. In the situation of internal and external challenge of legitimacy of the regime, the instability of the financial and economic situation in the country and the lack of reliable allies in the international arena Belarusian leader tries to increase the effectiveness of government decisions to prevent excessive strengthening of individual officials or creation of coalitions in the government.

In August the increase of negative trends in the state stability in Belarus could have been noted. The diplomatic scandal with Sweden decreases the possibility of starting a dialogue with the West, and certainly makes it impossible to receive any help from there. And all this is accompanied by vague Russia's reaction and complete silence of China. The Russian authorities were unusually quick while eliminating the export schemes of petrochemical products by Belarus without refund of duty to the Russian budget. Political crisis is accompanied by a crisis of confidence of the people to the authorities. The ability of the regime to ensure the development of the country is looking more doubtful because of absence of unity within the authorities as well as a development program and growing staff shortages: new people don't appear in the government, and the old ones can't boast of some achievements.

The internal situation: the stability of state power.

Major events of the month. The main event in August was the actual deadlock in Belarusian-Swedish relations, which kills the hope for the restoration of full-fledged dialogue with the West, at least in the foreseeable future. It is rather possible to state the fact that the current situation will continue at least until 2014, and will depend on:

- Belarusian-Russian relations, especially the financial support from Moscow, its terms and amounts;
- The ability of the authorities to control the balance of payments of the country;
- Prospects of destabilization in Central Asia after the withdrawal of the ISAF mission from Afghanistan.

On August 3, 2012 the official Minsk announced the deportation of Swedish ambassador Mr. Erickson from Belarus. This step wasn't directly connected with the "teddy bear scandal" and had to remind the West of the firm position of Belarusian authorities before possible resumption of the dialogue. At the same time with the deportation of Mr. Eriksson Belarus withdrew its ambassador in Stockholm Mr. Grinkevich, whose term and was to come to an end. According to Belarusian officials this conflict could be considered as settled.

The tough response of Stockholm wasn't expected in Minsk: in defiance of common sense and usual caution Belarusian regime is still certain, that the European diplomacy is unable to make tough steps. In response, the Swedish Government has actually paralyzed the work of Belarusian embassy: the entry of the new ambassador of Belarus was denied and it was decided to deport two senior Belarusian diplomats from Stockholm. It's necessary to note that the Belarusian embassy in Sweden consists of the ambassador, the two senior and two junior diplomats. In these circumstances, the work of the embassy became impossible. And on August 8, 2012 the official Minsk has made the only adequate solution - to close its embassy in this country, and then in the form of an ultimatum offered to Swedish government to withdraw its embassy from Belarus.

The development of the situation over the last month. Support of the population for the current government tends to decrease: in the last quarterly survey of IISEPS more than half of the respondents expressed distrust personally to Mr. Lukashenko. This happened against the background of the apparent improvement in the material welfare of citizens. Thus, the economic situation can not be considered as the main factor of support for authorities. Moreover, the majority of respondents believe that the power of Mr. Lukashenko relies on security forces and government officials. He was called a national leader of Belarus only by 18.1% of respondents.

Based on the survey results, Belarusian society tends to become not influent not only by the regime but by its main sponsor – Russia as well. Half of the respondents saw a threat in the penetration of Russian capital in the Belarusian economy. This factor should be considered as a broader psychological phenomenon whereby a large part of Belarusians not only separates the country from Russia, but considers it to be an enemy.

In early August, the information that the Russian government secretly blocked the import of raw materials in Belarus for the production of petroleum solvents and thinners, the subsequent export of which was carried out without the export tax rebate to the Russian budget, appeared. It should be noted that the theme of the solvent exports was discussed by Dmitry Medvedev during his visit to Minsk last month. It is quite a serious shock for the Belarusian economy: the amount of lost revenue for the budget and exporters will be at least USD 1 billion by the end of this year.

On August 16, 2012 Council of Ministers adopted the Resolution № 756 "On some issues of Belarusian-Chinese industrial park". The document contains a number of innovations, which are unprecedented in our country. Thus, from the meaning of the

Regulations on Chinese-Belarusian Industrial Park (Further BCIP) it can be stated that the administration of the park, as a public institution in Belarus and directly controlling the activities of BCIP, is subject to the Intergovernmental Coordination Council of BCIP: it is actual limitation of the sovereignty of the Republic of Belarus in the exercise of procedures and property rights on the part of the national territory - the territory of the Park. Furthermore, Resolution recommends (in Belarusian conditions it means “makes”) “public bodies and other organizations, being responsible for the implementation of administrative procedures ... to send the employees of these government agencies and other organizations to the administration of the park for the implementation of administrative procedures, or the receipt of applications on their implementation”.

These facts indicate the importance of the project for Belarusian authorities. In our opinion, the reason for that is more political: attracting significant Chinese investment automatically involves China in internal Belarusian processes as a partner of the current regime, who in this case is a guarantor of the investment safety. In this case, taking into consideration really favorable project terms, we can assume that there is a real threat to the safety of current regime. However, at the moment this can't be observed. The threat is likely to appear in the future. At the present time there is a creation of an appropriate framework for the struggle for influence in Belarus by Moscow. And it can't be said for sure, that Belarusian authorities will let to establish such a framework.

On August 17, 2012 President Lukashenko relieved the Assistant for Economic Affairs Mr. Tkachev and appointed to this post the former head of the National Bank Mr. Prokopovich. In our opinion, this fact is not worth the attention paid to it by Belarusian media and analysts. The influence of the assistants on decisions is not really serious. The Belarusian authorities are represented by the opinion of one person, but aren't a product of collective action. It's necessary to admit, that Mr. Tkachev, who was considered to be an enemy of market reforms, wasn't not able to prevent radical liberalization of the business climate and business environment in Belarus in recent years.

At the moment the main problem of differences between liberals and conservatives among the authorities is the issue of privatization of large state-owned enterprises, which includes another two issues: the procedure for determining the price of the privatized assets, and to what extent Russian capital should be allowed to privatization process. Taking into consideration the political background around the situation in Belarus and the world market, it can be stated that privatization of large state-owned assets looks contradictory. We should also pay attention to Mr. Prokopovich: in June 2011 he was relieved (from the post of head of the National Bank) because of “health problems” and on July 18, 2011 he officially retired. His return to power confirms the thesis of the “staff crisis” in Belarusian regime.

On August 20, 2012 Alexander Lukashenko dismissed Foreign Minister Sergei Martynov and appointed to this post Mr. Makey, who previously was the Head of Administration. It's necessary to note that Mr. Martynov has repeatedly appealed for a resignation from the ministerial post. The information about resignation of Mr. Makey had been appearing since the autumn 2011. Actually it is the demotion, as the Foreign Ministry, in contrast to the Administration, isn't an independent center of decision-making. At this rate, the statements that Mr. Makey was appointed foreign minister in order to resume the dialogue with the West, should be viewed critically. The foreign

policy is determined personally by President Lukashenko, who also makes key decisions. Foreign ministry acts just as an executive body.

Conclusions. In the Belarusian-Swedish diplomatic conflict both sides have shown that they are ready to escalate the relationship, although Belarus has been the initiator of this.

It should be noted that the diplomatic scandal might not be the only consequence for the official Minsk: the lack of progress on the “Belarusian issue” objectively forces European politicians to toughen its position in relations with Belarusian authorities. Restrictive measures may be replaced by serious sanctions.

In this situation, refinancing of foreign debt with the help of international financial institutions is impossible, which creates additional obstacles for attracting significant investment from the West and modernization of the economy.

In addition to the damage of image, movement restrictions and lost opportunities the inflexible policy of Belarusian regime can lead to the real losses: On August 11, 2012 the human rights organization “Freedom House” claimed the need for the imposition of sanctions against the “Belaruskali” and for expanding the list of Belarusian citizens, who should be prohibited from entering EU. This issue is expected to be discussed in October this year. The imposition of sanctions against the “Belaruskali” will deprive the country of about USD 500 million per year (the estimated total demand for products from the EU, EU candidates and Norway based on data for the first five months of this year).

It’s necessary to admit the standoffish position of Russia during the last diplomatic conflict: Moscow just expressed general conciliatory statements.

The latest IISEPS survey has shown that the authorities correspond to the needs of society less and less, and so-called social contract between the state and nation (the socio-economic well-being for the abandonment of anti-government activity) no longer meets the needs of the people.

In these circumstances, the authorities have the only way - to stop the emergence of any alternatives by all means, which means to tighten the pressure on opponents, regardless of international situation. The preservation of hard control is actually the only way for survival of the existing state system. It’s naive to wait for its transformation or liberalization.

The resignation of Mr. Makey from the post of Head of the Administration may cause the breakdown of conventional political tandem Myasnikovich - Makey: The Prime Minister and Head of the Administration has repeatedly acted jointly on a number of issues.

The internal situation: the opposition and the protest movement.

Major events of the month. Overall, in August the main attention was given to the current election campaign. Despite its obvious result, it has contributed to the formation of the platforms of opposition, which in the future could serve as a concrete alternative to the policy of the authorities.

On August 15, 2012 Movement “For Freedom” (hereinafter referred to as MFF) offered “National Programme”, initiated by MFF as well, as an election platform. It should be noted that the original “Programme” was a badly structured set of judgments. However, over the past few months, MFF managed to create a conceptual product of

acceptable level. “National Program”, is certainly a significant step forward in comparison with the previously publicized anti-crisis program of UCP.

On August 31, 2012 BCD presented its draft party program. The document is still not worked out in detail, but it contains a number of attention-worthy points. In particular, BCD provided the most extensive (though not certain) concept of national security and defense among all opposition structures. Some outside experts were involved into design of the program. Against the background of the crisis, being recently observed in the BCD (lack of unity within the party, outflow of activists to other political parties, clericalization) the creation of such a document is, of course, positive. And time will show whether this is a sign of health and quality growth of BCD.

However, it's necessary to note that “National Programme”, and draft program of BCD can not be considered to be proper programs, as they have no specificity of action to achieve the objectives stated, as well as related performance indicators. Rather, they are concepts or strategies. But their authors made step forward by refusing from populist promises and a clear statement of the need to take unpopular measures, such as increasing the retirement age.

Special attention should be also paid to the statement of “Tell the truth!” and MFF on the joint tactics during the current election campaign. Earlier, very sharp contradictions were observed between two organizations, which were complicated by personal enmity between a number of prominent members of both organizations. As we pointed out in a note of July 2012, the Belarusian opposition started the campaign having not enough funds. The reason for consolidation in our opinion is the need to expand the material base of “Tell the Truth” and MFF. The need to determine the way of participation in the presidential election of 2015 for each organization can also play certain role: at the moment the human resources of both organizations exclude the possibility of an independent presidential campaign. And this applies to both the potential for the nomination of a candidate for the presidency, and the organization of a full election campaign.

The development of the situation over the last month. In general, the opposition took quite passive role in the elections: there are neither boycott, no campaign activities. Loud statements of political leaders entail not important actions: signatures for nomination of candidates were collected not actively, and, in many cases, quite carelessly. An active boycott campaign, announced previously, is almost invisible. Despite this, the authorities are extremely nervously reacting to the actions of the supporters of the boycott, and using repressive actions clearly disproportionate to the scale of their activity. Among other things, the regime hasn't allowed the supporters of boycott into the election committees and blocks media-statements of opposition candidates, who are calling to sabotage the elections. Such actions demonstrate not the effectiveness of the boycott campaign, but the uncertainty of the authorities: it is obvious that they have no long-term strategy and on September 23, 2012 only narrow tactical problem for the safety of the existing system will be solved.

In this regard, it should be recognized that the most rational proposal is one from UCP to abolish elections to the House of Representatives and to dissolve it as unnecessary and in order to save the budget, made on August 10, 2012. It's essential to admit that the presence or absence of the House of Representatives does not affect either the internal political situation in the country, nor the legislative activity. The House of

Representatives, as well as the National Assembly as a whole, is acting as a purely decorative institution. And the only result of their activity is budget expenditure, which is constantly increasing.

Simultaneously, the authorities refused to register as candidates for the election several prominent Belarusian politicians, among whom were also supporters of President Lukashenko. The registration was also denied to potential candidates known in their districts and opposing authorities (for example, Mr. Mozhalski and Mr. Yanchurevich, supported by the initiative “European perspective” in Minsk). According to our information, not always the authorities' decisions were groundless: a number of opposition candidates, nominated by collecting signatures, committed violations in the signature sheets, providing the authorities valid reason for refusal.

But the reason for non-registration of candidates, who initially claimed to support the current regime, is really interesting. It is possible, that local authorities, having pre-agreed future nominations to the House of Representatives, just did not allow unapproved pro-government self-promoted candidates to the electoral process, in order to prevent the “split” of votes for the regime candidates, the volume of which in the last year and a half has significantly decreased even in the regions.

On August 8, 2012, during the meeting of Council of Ministers, Belarusian Prime Minister Mikhail Myasnikovich declared intention of the authorities to take measures to combat illegal employment, which may involve up to 400 thousand people in Belarus.

If the words of the Prime Minister become real actions of authorities, Belarusian opposition will have additional opportunity to recruit new activists from the self-employed. Although a significant part of these people asocial and live off odd jobs, most of them are normal citizens engaged in petty trade, services (auto repair, construction, transport services) and smuggling and aren't dependent on the state. Pressure on them creates opportunities for the opposition not only to increase the number of their supporters, but also to acquire the financial base in the country. The main issue here is to develop a strategy, which, on one hand, would look attractive to self-employed persons, and on the other – won't allow the authorities to accuse the opposition of lobbying the interests of social parasites and irresponsible consumers.

In August the civil campaign “Our House” announced a new program “Pensioner, join!” aimed at involving pensioners in social activities. The program's objective is to make the retired a real subject of public action, to make them claim their rights and be able to realize their potential. Earlier there were attempts to create public organizations of older people, but they were blocked by the authorities. This category of the population is a promising field for the work: they have the time and a stable income, tend to have a broader social context. Factors that objectively complicate the work of opponents of the authorities, are: the low human resource capacity of all opposition organizations (both in quantitative and qualitative terms) and the fact, that they will have to act against the government, which has traditionally considered pensioners to be its electorate.

On August 31, 2012, it was announced that the MFF, BPF, “Tell the truth!” and Belarusian Left Party “Fair World” decided to organize a campaign of boycott of elections to the House of Representatives in one of the constituencies. However, in our view, it is unlikely that this is really a long-term alliance: the factor of interpersonal relationships, which are far from being good among the leading representatives of these organizations, traditionally plays an important role in Belarusian politics.

Conclusions. In general, both participation in the elections and their boycott are considered by the opposition leaders only in connection with the presidential campaign in 2015.

It should be noted that the nomination of candidates by political parties has become a kind of trap: the parties mostly refused from the nomination of candidates by collecting signatures, thus depriving themselves of the opportunity to conduct a preliminary campaign for their candidates. Earlier, the need of collection of signatures was an important mobilizing stimulus. Nomination by collecting signatures would be an objective indicator of the capacity of the party organizations in the field, and would show the real number of activists.

Economic situation.

Major events of the month. In August, the basic macroeconomic indicators were positive. The main risks for the Belarusian economy are related to the deteriorating terms of trade (as the main threat of the introduction of unofficial ban on exports to Belarus of naphtha used to make tax-free thinners and solvents) and over-stimulation of domestic demand (sharp rise in income and administrative rate reduction credit market).

In early August, a new letter about intent of the Belarusian government within the framework of the program of the EurAsEC Anti-Crisis Fund was issued. This paper introduces some changes in the matrix of targets, the most significant of which are the removal of the obligation to sell state property in the volume of USD 1,2 billion before September 1, 2012 (the target figure of privatization of USD 2,5 billion for 2012 remained valid) and the abolition of specific gravity in the salaries of public sector employees in the budget expenditures. The requirements for the condition of reserves for January 1, 2013 were toughened up (from 1.7 of the monthly import to 2), and a number of secondary targets was introduced. At the same time, one of the newly introduced annual limits is already exceeded: growth in total bank loans to the economy has exceeded the prescribed 12% and reached 12.2%.

Thus it is clear that the liabilities to the Fund won't be fully implemented, and the decision to release the next tranche (not later than October 31, 2012 according to the plan) may be delayed.

The development of the situation over the last month. As part of the external debt service next coupon payment on 5-year Eurobonds in the amount of USD 43.75 million was done in August. Stock quotes of Belarusian eurobonds after growth stabilized in mid-July and in August five-year bonds were trading in the range 96.6-97.7% of par value, eight-year ones – in the range of 93-94.6% of par value (i.e., the actual yield was about 9.5-10%, which is slightly higher than yields of last floatation of Ukraine).

At the beginning of August President Lukashenko tried to allay anxieties over the fact, that the economy won't be able to service external debt in 2013-2014 easily. He pledged the readiness of the Government to perform steadily external liabilities and the possibility of postponing repayment of Russia's debt in case of an emergency.

The public debt of the Republic of Belarus amounted to Br 116.8 trillion on August 1, 2012. In comparison with the beginning of 2012 it increased by Br 436 billion or 0.4%. Domestic public debt decreased by Br 130.4 billion from the beginning of 2012, and amounted to Br 17.7 trillion on August 1, 2012 (the limit is Br 34 trillion). External

public debt amounted to USD 12.0 billion on August 1, 2012 (while the limit is USD 14.3 billion) having increased by \$ 211.7 million from the beginning of the year.

According to the results of July a slight decrease in gold reserves (hereinafter GCR) due to repayment of external (loan payment “stand-by” of the IMF, coupon payments on Eurobonds) and internal (the commercial banks) liabilities, was recorded. In this case, according to the official information, the National Bank remains a net buyer in the stock exchange market.

However, it is possible to increase the GCR (to USD 18 billion by 2015 according to the plan), and at the same time to fulfil debt service obligations only if the privatization of state property for a specified period reaches USD 4.5-5 billion. At the moment, the merge of MAZ and KAMAZ in one holding company, which according to the latest data can bring Belarusian party an amount from USD 600 million (the sale of the option of 25% of the newly formed holding company to the Russian side) to USD 1.2 billion (full sale of Belarusian share in the holding), is to be completed. The government's share in mobile operator MTS (which is being on sale for a year already) can't find buyers because of high price (share price is set by President Lukashenko in the amount of USD 1 billion). Taking into consideration the price-setting mechanism, the decline in price in the near future is unlikely. The real results of privatization are negligible: for the first seven months of this year only approximately USD 1.8 million were received from the sale of state property.

At the end of July the gold reserves of the Republic of Belarus decreased by USD 99,3 million according to the definition of the IMF SDDS and, according to preliminary data, on August 1, 2012 amounted to USD 8 230.2 million in the equivalent. According to the national definition the international reserves decreased by USD 92.6 million and were USD 762.0 million in the equivalent.

Execution of the budget (total consolidated budget and formally extra-budgetary Social Protection fund) remains in surplus, and even much higher than planned (2.4% of GDP against 0.02% of GDP). This surplus was achieved due to the rapid implementation of the plan on certain types of income (income tax, contributions to the social fund), which is in turn due to the growth of real incomes above the target level, and economic growth at a level above the pledged for budget planning (while planning the budget, the government used the GDP growth of 1.5%, while the approved target value of this indicator was 5-5.5%).

Substantial budget surplus allows authorities to raise public sector wages (from 1 September by 6.1% on average) without using emission sources, which will bring them closer to the average income in the country.

Budget revenues of the general government sector were formed in the amount of Br 116.3 bln. in January-July 2012, which is 58.3% of the adjusted annual plan. Budget expenditures of the general government sector amounted to Br 110.0 bln. in January-July 2012, which is 55.5% of the adjusted annual plan. In January-July 2012 the surplus of the general government sector budget amounted to Br 6.3 trillion, or 2.4% of GDP.

In July, the substantial growth in performance of monetary aggregates continued. As a result, since the beginning of the year the growth of broad money supply exceeded the annual limit (26% of the actual growth while the plan was 22-24%). In order to extinguish the growing devaluation expectations the National Bank issued a statement

explaining the excess by increased deposits at the level of higher than expected. Thus due to the persistence of high rates in the credit market, much of the money stays in the bank in the form of excess liquidity and does not cause inflationary effect in the economy.

At the same time the rates on deposit and credit markets have approximately reached the bottom, as evidenced by the increase of the rates on deposit programs by a number of banks (including the largest one “Belarusbank”), and by very slight (of 0.5 percentage points) reduction in the refinancing rate. In the situation of the acceleration of inflation (2.2% for 21 days in August) the bottom can be broken only by administrative means (for example, the implementation of a plan to reduce the refinancing rate to the level of 22-23% per annum by the end of the year).

On August 1, 2012 the volume of broad money supply in Belarus was Br 140 143.1 billion (rose by 4.3% in July). Ruble money at the same date amounted to Br 59 053.8 billion, having increased by 4.3% in July as well. The monetary base in July rose by 1.9% to Br 27 408.2 billion. Refinancing rate of the National Bank in August decreased by 0.5 percentage points and amounted to 30.5% on September 1, 2012.

Conclusions. At the beginning of August, the negligible increase in national debt, compared to the beginning of the year, was reported. Despite having received the third tranche of the EurAsEC Anti-Crisis Fund loan (USD 440 million) in June 2012, an increase in public debt was slight due to repayment of the main part on the “stand-by” loan of the IMF in April 2012 (USD 100 , 3 million) and July 2012 (USD 97.8 million), as well as due to the strengthening of the national currency. The volume of the national debt is still far from the limits of both the internal and external debt and is generally acceptable (national debt is about 25% of GDP).

In case of preserving of surpluses on the current account (according to the preliminary data of USD 900 million for second quarter of 2012, it may be the best result in the history of the country), there are no significantly reasons for a sharp drop in the size of foreign exchange reserves. At the same time the government declares the further liberalization of the foreign exchange market and categorically denies the possibility of a return to a fixed exchange rate in case of aggravation of the results in the foreign trade caused by limited exports of thinners and solvents from Belarus.

National Security and Defence.

Major events of the month. In August A. Lukashenko continued making changes in the staff connected with the “teddy bear scandal” o July 4, 2012.

On August 2, 2012 Major-General Gorulko was dismissed from the post of the Deputy Chairman of the State Border Committee - Head of Operations Directorate because of the improper performance of his duties to ensure the national security of Belarus. President Lukashenko publicly accused guards of recording the facts of the state border violation, but not reacting. According to our data, the border guard did detect an intrusion into the airspace of Belarus from Lithuania, which has been reported according to instructions. However, the report of the duty detail at some point was ignored by the superior officers. This is connected with the fact that at this part of the air border the violations of the border by light-aerial vehicles are not rare. Planes from the neighboring country often fly into short space of Belarus due to the configuration of the border. The time of staying in Belarusian airspace of the intruders does not exceed a few minutes, and the deepening into the country if quite slight (3.5 km). Thus, taking into consideration

these factors, it is likely that the State Border Committee hasn't paid necessary attention to the report of the violation. At this rate the reason for the resignation of the former commander of the Air Force and Air Defense of Belarus Major General Pahmelkin is not entirely clear.

At the same time Alexander Lukashenko announced the requirement for the border agency to change strategies. At the same time the demand to the European Union, which has become a ritual, about the allocation of funds for Belarus to protect the Belarusian border, was made. It seems like such demands look appropriate and usual for the Belarusian government. At this rate an interesting version of the reason for the resignation of the former head of the State Border Committee of Major General J. Rachkovski has spread: being the supporter of the pro-European orientation, he ostensibly opposed the existing requirements of the authorities about lowering the level of protection at the border with the EU, in order in such a way to encourage the flow of illegal migrants through Belarus. The threat of uncontrolled migration factor was planned to be used as an influential factor by Belarusian authorities while negotiations with the West. This version is obviously speculative.

On August 8, 2012 it was reported that the Russian state corporation "Roskosmos" intended to buy state-owned shares (48.9%) of Belarusian military-industrial group "Peleng". It is the country's largest manufacturer of electro-optical equipment for the aerospace industry and the military-industrial complex, traditionally focused on Russia. But recently China has started to be interested in the technologies of "Peleng".

The development of the situation over the last month. Overall, August proved to be an eventful, especially in the field of space exploration. On August 3, 2012 Belarusian and Russian scientists announced plans to develop microwave radar equipment for all-weather sensing of the Earth's orbit. Work is scheduled to be performed in the Union program "Monitoring SG". It is also expected to create more high-quality optical and electronic devices designed to be placed on platforms of micro-and small satellites. The main developer of equipment of this class is Belarusian company "Peleng". It should be noted that the allied Belarusian-Russian scientific-technical programs are the only factor that somehow justifies the existence of the bureaucratic apparatus of the Union of Belarus and Russia.

Three days later, on August 12, 2012 Alexander Lukashenko met Director General of Chinese Corporation Aerospace Science and Technology Ma Sindzhuya. During the meeting the Belarusian leader declared his readiness to develop close cooperation with China in the field of space exploration, and emphasized that space technology is the most important component of the national security of Belarus.

In fact, these are steps to involve our country in the sphere of attraction of China. Judging by the intensity of events, Belarusian authorities seriously incline to view China as an alternative to the strategic partnership with Russia. In this context, the reason for such change of the orientation in partnership is quite interesting. Earlier, conflicts between Belarus and Russia were mainly connected with financial and economic issues, and Moscow hadn't taken effective steps that could have endangered Lukashenko regime, except for the "information war" in 2010. However, even then the main purpose was to force Belarusian authorities to participate in integration projects, and the motivation was personal animosity between President Lukashenko and Dmitry Medvedev. At the same time, the Kremlin offered a significant package of preferences in

oil and gas as an incentive to join the process of Eurasian integration. Close cooperation with China can be seen as a continuation of the policy of geopolitical game, but the role of the West is played by China. But the highest development of Belarusian-Chinese relations takes place in the field of defense.

It should be noted, that the external factors of ensuring security involve a presence of a long-term strategy. For Belarus, not having well-developed defense industry capable of making complete weapons systems, the choice of an ally in the defense area is linked to the choice of priority partners in the field of military-technical cooperation and arms sales. Taking into consideration the life cycle of modern weapon systems the focus should be done on long-term planning (a period of 20-30 years).

Conclusions. The fact of violation of the Belarusian state border by Swedish citizens showed a real but not imaginary level of influence of Viktor Lukashenko on important decisions: he wasn't able to defend one of his closest associates, Major General Rachkovski. Thus, the situation, when Alexander Lukashenko is absolutely independent in his decisions, still takes place. The only way to have an impact on his position is biased selection of information, which is the basis for the decisions, which means the direct access to the Belarusian leader and the factor of his personal confidence.

Russia's desire to purchase shares of "Peleng" is logical, as it will allow "Roskomos" to have all the components for sensing satellites, including optical surveillance devices. Gaining control over "Peleng" will allow Russia to prevent outflow of available Belarusian technologies, which are often unique, in China. Thus, the offer of "Roskosmos" may be a reaction to the increasingly expanding cooperation between Belarus and China in the military, science and technology. At the same time, the reaction may be late.

