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The unprecedented devaluation of the Belarusian rouble, and a Russian loan

On 24 May, the Central Bank of Belarus devalued the rouble rate by up to 56% against a basket of currencies. This is the biggest devaluation in the history of independent Belarus, and was caused by the dramatic situation on the financial market. In addition, this operation was one of the conditions of a grant to Belarus of a stabilisation loan of US$3 billion from the Anti-Crisis Fund of the Eurasian Economic Community (EAEC), in which Russia plays the leading role. In return, Moscow expects the privatisation of a number of Belarusian companies which are of interest to Russian investors. It seems that in view of the threat of collapse of the state's finances, the Belarusian government will be forced to pay the high price of the Russian loan.

In the opinion of independent Belarusian economists, the Central Bank's decision to devalue the rouble came several months too late. For a long time the real exchange rate of the Belarusian currency has significantly differed from the official rate, causing serious problems in the financial market, including currency shortages in the currency exchange bureaus . The authorities' present actions result primarily from their obligations towards Russia as part of the stabilisation loan. In connection with the ongoing drop in the foreign exchange reserves, which are necessary to stabilise the rouble rate (since the beginning of the year they have fallen by more than US$1 billion), the Belarusian government requested a loan several months ago from the EAEC's Anti-Crisis Fund, and also from the Russian government directly. Moscow has agreed to grant US$3 billion from the EAEC's funds, to be paid within the next three years in instalments of US$1 billion annually. At the same time, Russia made its final decision on this matter dependent on the Belarusian government's approval of a three-year privatisation plan, and on the latter's efforts to stabilise its financial system. The final decision on the conditions for granting the loan will be taken on 4 June at a meeting of the EAEC's Anti-Crisis Fund.

The Kremlin is exploiting Belarus's difficult economic situation and the crisis in its relations with the West to force Minsk to make concessions, notably the sale of strategic companies to Russian investors. In addition, the Russian government, fearing the consequences of an economic collapse in Belarus, have requested the establishment of a single rouble rate. This is why the Belarusian Central Bank decided to devalue the rouble, a move which could bring a certain stability to the financial market and restore Belarusian exports to profitability. At the same time, negotiations on selling 50% of shares in Bieltransgaz (the owner of the Belarusian pipeline networks) to Gazprom are moving into their final stages; Gazprom already owns half the shares in this company. In addition, Russian investors have expressed interest in the MAZ automotive company and the Bielkaliy company. The poor situation of Belarus's finances and its self-isolation from the West will force Minsk to gradually concede the expectations of Moscow – which is currently its only realistic creditor. <Kam>