

Belarus Pressured by Waning Funds

By [The Moscow Times](#)

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MINSK — Belarus is fast running down its foreign reserves and looks set to either sell a stake in its main cash cow, potash miner Belaruskali, or seek aid from Russia or the International Monetary Fund to stay afloat.

After completing a successful IMF program in early 2010, President Alexander Lukashenko embarked on a spending spree in the run-up to the December presidential election where he won a fourth term in office.

This, coupled with an increase in the price of imported Russian oil, meant that the former Soviet republic was spending more foreign currency than it earned, burning through Central Bank reserves to finance growing imports.

Reserves that covered barely two months of imports at the start of this year have since shrunk by 20 percent to \$4 billion as the Central Bank propped up the Belarussian ruble.

"The Central Bank's reserves could run out within a month," said VTB Capital analyst Pyotr

Grishin.

Standard and Poor's on Tuesday lowered its long-term foreign currency rating on Belarus to "B" from "B+" and affirmed a negative outlook citing "the deterioration in usable reserves."

The cash crunch will test Lukashenko's finely honed talents for political survival after he alienated both the West and traditional ally Russia with heavy-handed police treatment of his opponents on election day and subsequent prosecutions.

The United States and European Union have slapped fresh sanctions on Belarus, including a travel ban on Lukashenko and top officials. Because of strong U.S. and EU representation at the IMF, support for new lending is likely to be weak.

The fund has attached strings to any further support, requiring "a credible commitment to strong stability-oriented policies and an ambitious structural reform agenda."

Last week's 200-basis-point emergency hike in interest rates might not go far enough. That leaves Prime Minister Vladimir Putin, who visited Minsk on Tuesday, as the fallback option.

The easiest way to plug the current account gap — as well as replenish state coffers — would be to privatize potash miner Belaruskali, which, together with Russian partner Uralkali, controls more than 30 percent of global potash exports.

Officials have said Belarus could raise up to \$7 billion by selling a 25 percent stake in the firm.

China, the world's largest fertilizer consumer, is viewed by some analysts as a likely buyer for the stake because its demand for potash far outstrips local output.

"The only silver lining is them selling Belaruskali," said Ivan Tchakarov,

chief economist for Russia and the CIS at Bank of America Merrill Lynch Global Research.

Russia and Belarus are also in talks on a \$6 billion loan to finance the construction of new nuclear power facilities by Russian firms.

Usually, the borrower in such a deal never receives the money, which goes straight to the contractor. But Belarus might ask for an exemption and Putin might be inclined to grant it, analysts speculate.

People lined up at kiosks in Minsk on Monday trying to buy dollars and euros, only to find there were none for sale.

To calm the population, the Central Bank issued a statement Tuesday saying it had the tools and reserves to keep the exchange rate stable. Such assurances could be counterproductive.

"When the Central Bank says there will be no devaluation, it only fuels people's concerns," Grishin said.

To slow the drain on reserves — mainly comprised of forex loans from local banks — Belarus has raised forex trading fees and barred large purchases of foreign currency to finance

imports of equipment.

It also issued an \$800 million eurobond in January, has asked an anti-crisis fund run by ex-Soviet nations to lend it up to \$1.7 billion and announced a possible \$300 million eurobond issue by the city of Minsk.

"They will look for money everywhere and plug gaps until they find a longer-term solution such as privatization," Grishin said. But borrowing will not be easy.

"Investors have long ago given up hope on Belarus, you can see that if you look at how their eurobond trades," Grishin said, referring to the 2015 bond, whose yield has risen by 150 basis points since January to 9.24 percent.

Belarus has asked Russia and other former Soviet partners for loans totaling \$3 billion, Bloomberg reported. The country requested a \$1 billion loan from Russia and a \$2 billion loan from the anti-crisis fund set up by the Eurasian Economic Community, a group of post-Soviet nations, Finance Minister Alexei Kudrin said Wednesday in Minsk, following a meeting with Belarussian Prime Minister Mikhail Myasnikovich and Kazakhstan Prime Minister Karim Massimov.

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