

Overview and Assessment of Economic Reform Concepts and Programs in Belarus

by Alyaksandr Hatouski

2

Economic reform concepts and programs developed to date are different in structure and purposes. They can be divided into three major groups:

1. Program documents from major political parties and presidential candidates;
2. Concepts and programs designed by independent economic experts; and
3. State-sponsored programs of economic reform.

Program documents of political parties and presidential candidates

Key documents in this group include:

The Program of Reform by the Belarusian Popular Front – 1989¹. This is the first program of reforms for Belarus, designed by the Belarusian Popular Front even before the breakup of the Soviet Union. Here are some of the basic provisions of this platform:

- Economic independence of Belarus from the Soviet Union’s state structures, including abandonment of the centralized system for supplying industrial output to USSR-held funds and Belarus claiming its own right to national resources;

¹ *Сборник альтернативных программ развития Беларуси*. Под ред. В. М. Шлындикова, Мн.: Бестпринт, 2001, р. 7–46.

- Equal co-existence of different types of ownership, including private ownership; the right of employees to choose the form of ownership for (state-owned) companies they work for;
- Independence of enterprises; relations between enterprises are based on the arm's length principle, and on self-financing;
- Introduction of a planned-regulated market mechanism where government bodies issue planning recommendations, design socioeconomic development programs, ensure that various market and business competitors come into play, take measures against monopolies, assist market stabilization, make efforts aimed at reducing prices and ensuring equal conditions for development in various regions, publish regular statistical reports on inflation, living standard changes, personal income in various social groups, foreign trade, etc. The government's main way of regulating the economy is through taxes, subsidies, public procurement and financial leverage.
- Free foreign exchange market;
- Land is to be owned by local councils which lease it to businesses. A single land tax is to be launched, and the tax rate would depend on land productivity.

The program's authors propose that its implementation will resolve main socioeconomic problems, such as housing, food production and manufacturing of consumer products, and eliminate market shortages.

Assessment: It was a rather radical platform for the period, since it suggested transforming the socialist planned economy along the market model. The program stipulated basic market economy principles, but failed to specify a sequence of reforms.

The document asserts the country's economic sovereignty and independence of business entities, which is a reflection of the situation prevalent in late 1980s. That was when movements emerged that advocated national independence and democratic changes in the republics of the Soviet Union.

Other important reform programs are The Program of the Belarusian Popular Front² and Declaration of Goals and Principles of the United Civic Party³. Both documents date back to 1993.

As stated, these documents' main goal is building a 'social market economy' in reaction to the country's general economic instability in 1993, as manifested in high inflation, decreasing production, growing shortages of consumer goods and declining living standards. However, the documents proposed different ways of reaching the same goal.

The Belarusian Popular Front's platform set out the principles of deregulated prices, supporting competition, private ownership of land and means of production, and abolition of public procurements for farms. Much attention was paid to ensuring social justice and protecting domestic producers by means of customs barriers. The program also called for fair and gradual privatization of enterprises, and active structural policy towards savings in energy and consumables in more environmentally friendly manufacturing industries. It suggested tough state regulation of the use and privatization of agricultural land.

Assessment: The document expresses support for the State's active role in the economy and a gradual, 'well-considered' and 'socially equitable' process of market transformations. The main drawback of this platform is to be found in the confusion of principles: some are market-oriented, while others envisage active State interventionism in the economy.

The document developed by the United Civic Party stipulates a speedy privatization, abolition of State regulation of prices, freedom of business and comprehensive State support for the growth of private business. The authors are of the opinion that economic growth and improving living standards of various segments in the society had to be the staple tenet for the social market economy. 'If the public pie grows, everyone's share in this pie grows with it'⁴ is the program's slogan.

² Ibid., p. 47–102.

³ Ibid., p. 103–112.

⁴ Ibid., p. 109.

In general, those two documents reflect the process of political parties establishing themselves on the country's political scene and, correspondingly, the polarization of public opinion on issues such as market transformations, pace of changes and the State's role in the economy.

Other documents in this repertoire are platforms of presidential candidates for 1994 elections: Alyksandr Lukashenka, Vyachaslaw Kebich, Stanislaw Shushkevich, Zyanon Paznyak, Alyksandr Dubko and Vasil Novikau.

Alyksandr Lukashenka's program – called 'Taking The People Away From Disaster'⁵ – focuses on difficulties in the country's economic situation and develops the idea of the State's responsibility for resolving economic and societal problems. The program sets out the following measures:

- stabilize prices by establishing State control over price formation, combating unsubstantiated price hikes, enforce penal liability for violations of State price policy;
- strict oversight over the economy via direct control of state-owned enterprises;
- an investment policy based on gradual increase of long-term bank lending, setting interest rates in line with State priorities, designating economic sectors and investment projects for State support;
- consolidate State control over the foreign exchange market by closing all convertible currency outflows abroad, controls over convertible currency assets of Belarusian commercial banks abroad, institute penal and administrative punishment for illegal forex transactions and illegal convertible currency exports;
- prioritize agriculture in State investments by short- and long-term lending, preserve the system of collective (*kolhoz*) and State (*sovhoz*) farms;
- designate housing construction as a priority sector for financing, in close State focus;
- support honest entrepreneurs.

⁵ Тезисы программы кандидата в Президенты Республики Беларусь А. Лукашенко. Отвести народ от пропасти, «Народная газета», № 109 (874) 10 чэрвеня 1994 г.

The program of Alyksandr Lukashenka's main competitor Vyachaslaw Kebich – called 'People of Belarus Should Have a Decent Life, Without Fear of Tu- ture, Be Proud of Themselves and Their Motherland!'⁶ – points to the need for anti-inflation measures, stabilization of manufacturing output, privatization and retaining State control over key areas of the economy that impact the society, such as fuel and energy, finance, transport, communications, science, education, social welfare, environment and natural resources.

Kebich advocated keeping State control over prices of selected foodstuffs and services, and providing State support for agriculture, with collective and state-owned farms preserved. He proposed that the the president and government's role should be in managing state-owned enterprises, capex projects, subsidies, employment, etc.

In his platform entitled 'Statehood, Democracy and the Market – a Way Towards Prosperity'⁷, Stanislaw Shushkevich stresses that the country's economic crisis has been caused not by reforms, but by absence thereof, and proposes embarking on a firm path of reforms geared specifically to stabilize the Belaru- sian monetary system, towards a speedy privatization, removing obstacles to the freedom of business, alleviate the tax burden, carry out a structural reform in agriculture by giving farms a free hand in deciding on the form of ownership and type of business operation, stimulate foreign investments and provide tar- geted social support to the population.

Not unlike like Shushkevich's, the economic program of Zyanon Paznyak⁸ speaks in favor of market reforms. It provides a detailed description of the me- chanism for introducing Belarus' sovereign currency. A chapter is dedicated to agricultural policy and land issues. The platform allows for undertakings to be free in choosing their type of business and form of ownership, and supports

⁶ Праграма Кебіча Вячаслава Францавіча, кандыдата ў Прэзідэнты Рэспублікі Беларусь. Народ Беларусі павінен жыць дастойна, без страху за будучыню, ганарыцца сабой і сваёй Радзімай!, «Народная газета», № 106 (871). 10 чэрвеня 1994 г.

⁷ Тэзісы перадвыбарнай праграмы Станіслава Шушкевіча, кандыдата ў Прэзідэнты Рэспублікі Беларусь. Дзяр- жаўнасць, дэмакратыя, рынак – шлях да дабрабыту, «Народная газета», № 106 (871) 10 чэрвеня 1994 г.

⁸ Эканамічная праграма кандыдата ў Прэзідэнты Зянона Пазыняка, «Народная газета», № 106 (871) 10 чэр- веня 1994 г.

private ownership of land, yet points out that ‘a well-considered and firm State policy founded on the precepts of science’⁹ has to be pursued in implementing land privatization.

Finally, the program of Alyaksandr Dubko – ‘The Country Needs a Good Steward’¹⁰ – is even more radical than that of Alyaksandr Lukashenka in its anti-market course. Dubko is entirely against radical market reforms and entrepreneurship. He wishes to keep State ownership of land and speaks in favor of vesting the future president with absolute powers and responsibility.

Assessment: All the documents were prepared in times of a profound economic crisis in Belarus, with hyperinflation, decline in output (nearly halved), growing unemployment, deteriorating living standards, and lack of transparency in actions of government agencies in State property privatization. They present a wide range of views on economic reforms, from a radical market reform (Shushkevich) to extremely conservative policies (Dubko). The variety of economic programs put forth by presidential candidates mirrors the polarization of general public views on market transformations. The 1994 presidential election was won by Alyaksandr Lukashenka who, given the economic and political situation of 1994, offered a moderate course steering between radical market changes and a complete restoration of the planned economy.

Although Vyachaslav Kebich, his main competitor, also had a centrist program, Alyaksandr Lukashenka was clearer in his presentation of propositions for economic development, and provided an illustrative description of specific tasks ahead.

Upon electing the first Belarusian president, the country faced a turning point. That was the beginning of a period of strengthening State control over the economy.

⁹ *Эканамічная праграма кандыдата ў Прэзідэнты Зянона Пазьняка*, «Народная газета», № 106 (871) 10 чэрвеня 1994 г.

¹⁰ А. Дубко, *Стране нужен Хозяин*, «Народная газета» № 104 (869) 8 чэрвеня 1994 г.

In December 1994, the United Civic Party at its constituent congress adopted The Platform of the United Civic Party¹¹. In response to increasingly stronger State regulation, the program called for ‘far-fetched market reforms in all areas’¹² including price deregulation, financial system stabilization, privatization and restructuring of enterprises, and privatization of land with sale to foreigners.

In October 1995, the United Civic Party passed another program¹³. Unlike its predecessor, the new program speaks merely in terms of ‘establishing an efficient and dynamic social market economy based on private ownership, which could ensure high living standards’¹⁴. It promotes the idea of low interest-bearing loans to finance housing construction and increasing budget allocations for social welfare out of out of property tax proceeds. According to the platform, such measures can ‘alleviate social tensions resulting from the enrichment of a group of people benefiting from inefficiencies in legislation’¹⁵. Other points of the new program are similar to those in the previous UCP document.

The Platform of the Belarusian Party of Labor – ‘Towards a Society of Democratic Socialism’ (March 1996)¹⁶ calls for ‘building in Belarus a society based on a multi-structural (i.e. with different forms of ownership) socially oriented market economy’¹⁷, as well as for ‘transferring the key means of production and land to people to be owned privately, thus ensuring participation of hired workforce in company profits across the nation’s economy’. The Belarusian Party of Labor stands up for ‘each person’s right to work, and strives to ensure full employment in the country’¹⁸. As the document puts it, the party would warrant the right to work and decent pay primarily by attracting investments into the economy, thereby creating more jobs. The Program also speaks in favor of coordinating activities of the business community, the State and trade unions in order to

¹¹ *Сборник альтернативных программ развития Беларуси*. Под ред. В. М. Шлындикова, Мн.: Бестпринт, 2001, p. 113–124.

¹² *Ibid.*, p. 117.

¹³ *Ibid.*, p. 125–143.

¹⁴ *Ibid.*, p. 129.

¹⁵ *Ibid.*, p. 136.

¹⁶ *Ibid.*, p. 171–191.

¹⁷ *Ibid.*, p. 181.

¹⁸ *Ibid.*, p. 184.

ensure a balanced development of economic sectors, aided by government investments. At the same time, the document points out that ‘the entrenchment of a new economic system would be a long process’¹⁹.

The Platform of the Belarusian Social Democratic Party (Narodnaya Hramada) adopted at the party’s constituent assembly in June 1996²⁰ is against ‘both total private ownership and total State ownership of the means of production’²¹. As its ideal, it suggests building a market economy with varied forms of ownership, with focus on social and environmental issues, in which ‘free enterprise is combined with a degree of State regulation of economic growth at a macro-economic level, as necessitated by the nation’s needs’²².

Assessment: Political parties do not differ in their vision of the economic reform.

The same trend may be observed in programs of candidates at the alternative presidential election in 1999 [which was held pursuant to the 1994 Constitution by those who did not recognize constitutional changes adopted by the controversial referendum of November 1996].

In particular, Mikhail Chyhir’s platform²³ speaks about the need for establishing an open, diverse, socially-oriented market economy. The document’s most important provisions point to stability of the sovereign currency, stability of prices, stopping unsecured lending (‘money printing’), ensuring that the public budget is reasonable, realistic and socially-oriented, preparing regulations to speed up privatization, and pursuing a policy that would combine firm protection of domestic producers with liberalization of domestic and foreign trade.

In fact, the program suggests mere cosmetic changes in the existing economic make-up.

¹⁹ Ibid., p. 183.

²⁰ Ibid., p. 144–170.

²¹ Ibid., p. 154.

²² Ibid., p. 154.

²³ Ibid., p. 235–240.

Likewise, the platform of Zyanon Paznyak of the Belarusian Popular Front, another presidential candidate, does not offer radical approaches to market economy²⁴.

In his program for the 2001 presidential election²⁵, Alyaksandr Lukashenka again confirms his adherence to previously chosen economic priorities, such as stimulating exports and housing construction, support to agriculture including State and collective farms, State regulation of prices, compulsory award of jobs to graduates of State educational facilities, etc. Yet, the program also includes one new point: liberalization of the economy and stimulation of business activity. In general, however, the document does not envisage any material reforms. It does not provide for any serious market reform, instead calling for a forward move as facilitated by ‘the country’s political and socio-economic stability’²⁶.

The platform of Uladzimer Hancharyk²⁷ calls for eliminating obstacles to business by introducing simple rules for registering new undertakings, safeguarding the banking system’s independence, stop extending unsecured loans, reducing the costs and size of government bureaucracy, reducing taxes, simplifying customs procedures, improving foreign trade and allowing state-owned and collective farms to transform ownership. The program is in favor of economic liberalization; however, it does not specify which market transformations are to be put to work. In particular, there is no mention of privatization. Instead, it contains a chapter on technology upgrades in and restructuring of companies by means of domestic and foreign investments.

Similarly, the program of Syarhey Haidukevich does not offer anything novel in the way of economic ideas²⁸. It calls for a need to reform the fiscal system

²⁴ Ibid., p. 241–253.

²⁵ *Вместе за сильную и процветающую Беларусь! (Предвыборная программа Президента Республики Беларусь А. Г. Лукашенко)*, «Советская Белоруссия» №№ 237–238 (21234–21235) 21 августа 2001 г.

²⁶ Ibid.

²⁷ В. Гончарик, *Добро вашему дому! (Тезисы программы кандидата в Президенты Республики Беларусь)*, «Советская Белоруссия», № 250 (21247) 31 августа 2001 г.

²⁸ *Порядок в стране, достаток в доме. Кандидат в Президенты Республики Беларусь Гайдукевич Сергей Васильевич. Тезисы предвыборной программы*, «Советская Белоруссия», № 239 (21236) 22 августа 2001 г.

along the Russian model, points to the importance of a new investment policy (yet never specifying what this policy should be), and stresses that the country should benefit from its advantageous geopolitical situation. The only aspect that sets it apart from other candidates' platforms is the affirmed support for fostering ecotourism in Belarus.

As outlined above, the programs of different political forces have whittled down to few essential differences, if any.

Economic reform concepts and programs developed by independent expert teams

When set against political party concepts, independent groups of experts may be said to have come up with more professional proposals for a market-oriented transformation of the national economy.

Proposals for Economic Policy Formulation (Stabilization Phase) were adopted by the Economic Policy and Reform Committee of the 13th Supreme Soviet, following their preparation by a group of authors including U. M. Shlyndzikau, L. K. Zlotnikau and N. G. Babrytski in 1996²⁹.

The document pointed out that, at the time it was written, negative processes in the Belarusian economy were not stopped: living standards had been deteriorating along with the same trend in GDP formation, while the poor population had been kept on meager subsistence at the expense of using up and eventually wasting fixed assets. The document proposed several principles to underpin economic policies, including that of greater economic freedom, fostering entrepreneurship, protecting private property, private sector formation, supporting the growth of competition, State support for exports and domestic output with export-oriented outlooks, and social stability. The authors claim that the principles could actually be applied once as many as 98 macroeconomic measures are put in place. Along market measures such as price liberalization in the farming sector, reduction of import duties down to WTO standards, and establishing of

²⁹ *Сборник альтернативных программ развития Беларуси*. Под ред. В. М. Шлындикова, Мн.: Бестпринт, 2001, p. 254–265.

capital and stock markets, the authors also suggested ‘measures to regulate in inflow of foreign investments in banking and insurance in order to ensure the State’s economic security’, ‘regulation of fuel prices to keep them in line with price levels in the neighboring countries’, ‘limiting the incomes gap between the richest and the poorest to 10 percent during stabilization’³⁰.

However, the authors confine themselves merely to enumerating measures to be taken, and do not consider the opportunities, realities, mechanisms, etc. for their implementation. In many cases they stop at flagging up a measure, for example ‘ensuring convertibility of the Belarusian ruble at a fair level’³¹.

Assessment: The above document is more of a response to major problems of the Belarusian economy of that time. It lacks a systemic approach to the process of market reform, although such reform is affirmed as being pivotal to its economic policy.

Concept and Program of Economic Reform (by the National Executive Committee) – prepared by a group of authors including S. A. Bahdankevich, U. S. Basharymau, Ya. Ch. Ramanchuk and G. D. Karpenka in 1998³².

This document was a response of the National Executive Committee, the shadow cabinet, to curtailing market reforms in the country in 1996–1998 and turning to ‘Socialist’ methods of economic governance. Its first part takes stock of the economic situation in Belarus and points to obstacles in the country’s consistent, long-term economic development. In particular, the authors point to legal nihilism, State monopoly in nearly all areas of economic activity, exclusion of public sector from market mechanisms, lack of market infrastructure or safeguards for private property, poor financial and contractual discipline, lack of effective restructuring and bankruptcy mechanisms, excessive tax burden, non-liberated monetary and lending markets, and lack of a sound, economically founded anti-crisis government program with a team capable of implementing it.

As stated in the document, the main way out of the economic crisis is to use the power of private enterprise and promote economic freedom. The authors be-

³⁰ Ibid., p. 257, 262, 264.

³¹ Ibid., p. 256.

³² Ibid., p. 331–341.

lieve that the role of the State should be limited to developing a market-oriented regulatory framework with a level playing field for all undertakings and individuals. They stress that the main idea of market reforms is in achieving the triple target for the transition period: stabilization, liberalization and institutional changes in all economic aspects.

Assessment: One essential difference between this and previous document is that it contains a description of financial support for reforms and expected deliverables.

Strategy for Belarus: A Concept of National Development – published by a group of authors including M. I. Hryb, S. Ya. Leushunou, L. F. Zaïka, Ya. Ch. Ramanchuk, L. K. Zlotnikau and others in 2000³³.

Apart from status description of the economic situation and specifying goals and principles of reforms, the document provides a detailed analysis of how the Belarusian economy will develop if the existing economic policy is to be continued. The authors offer their vision of the sequence of reforms, analyze what the general public thinks about the economic situation in the country, and make assumptions as to how the nation would react to their reform ideas. The document reviews all the previous concepts of conducting market reforms in Belarus. It emphasizes the importance of market reforms, and points to the systemic nature of current economic problems in Belarus.

The ‘Strategy for Belarus’ formulates economic reform goals and principles in monetary, fiscal, trade, investment, price, industrial and agricultural policies; it describes mechanisms of establishing conditions for developing small business and putting safeguards for private property in place. As stated by the authors, the planned measures have to be taken in three phases: firstly, economic liberalization and preparations for the system’s stabilization; secondly, stabilization and laying foundations for economic development; and thirdly, institutional transformations, manufacturing sector upgrades and participation in globalization processes.

Assessment: The document provides a concept for national economic development, which sets out guidelines for democratic market transformations, but

³³ Ibid., p. 372–431.

fails to describe a long-term, sustainable socioeconomic model for Belarus, or the mechanisms for conducting reforms in accordance with the measures proposed. Therefore, the document cannot be said to be a comprehensive program of market reform.

The Program of Socioeconomic Reforms for Belarus of the Coordinating *Rada* (Council) of Democratic Forces – drafted by a group of experts headed by P. U. Daneika in 2001³⁴.

This document is not really a concept per se; rather, it is an attempt to structure a real program of reforms for Belarus which envisages broad reforms in monetary and fiscal policy, formation of market institutions, development of the private sector, restructuring of industrial and agricultural enterprises, and changes in foreign trade and social policies.

The group of experts sets forth the following goals to be achieved by the reforms: ensuring macroeconomic stability, generating confidence in the national currency among the business community and individuals, matching government spending with budget revenue, reducing tax burden with an expanding tax base, lifting restrictions in setting prices for goods and services, establishing private ownership of land, abolishing ‘money-printing’ practice in extending loans to state-owned farms, providing targeted support to poor social groups; creating an efficient system of occupational training; establishing a mobile labor market force, etc.

Each chapter describes the existing situation, reviews previous developments, sets reform goals in specific areas, offers main reform principles and formulates measures to be taken to achieve the goals.

Assessment: Despite a rather detailed description of goals, tasks, objectives, directions and principles for economic reforms, the document lacks an indication of a long-term, sustainable socioeconomic model for Belarus, as well as fails to specify reform phases, expected deliverables and public views on proposed reforms.

³⁴ *Праграма сацыяльна-эканамічных рэформаў для Беларусі (Каардынацыйная Рада Дэмакратычных Сілаў)*, Група экспертаў на чале з Данейкам П. У., Мн. 2001, р. 180.

The document is too focused on existing economic problems in Belarus. It is dominated by the macroeconomic approach to reforms. Meanwhile, it is a valuable attempt to move from general concepts to specific economic reform programs.

An analysis of economic reform concepts and programs prepared by independent groups of experts shows that there has been substantial evolution of such documents from indecisive, contradictory and incomplete to a clearer understanding of the essence of market reforms and, consequently, to more specific and decisive programs of reform. At the same time, the above documents rely heavily on current economic developments. Market reform is often regarded as a 'magic word' resolving existing economic problems.

State-sponsored programs of economic reforms

A number of State-sponsored reform programs were prepared for Belarus in the 1990s. Most of them saw the light of day in 1996, when official elites and political parties finally parted ways, which is why the government faced the need to step up its own efforts in developing programs of reforms. Below is a review of the most important ones.

A Plan for Financial Recovery Measures in the National Economy by Belarus' National Bank (August 1, 1996, to October 1, 1997)³⁵.

The document is a rather in-depth analysis of the country's economic situation in the first half of 1996. It singles out a number of positive trends, such as slower inflation and devaluation processes, slower pace of economic decline, adaptation of undertakings to market conditions, and increase in real personal incomes. At the same time, it points to certain negative trends, such as a sharp decline in capex, worsening foreign trade indicators, yawning trade deficit, growing unemployment, increasing number of unprofitable enterprises and a larger public budget deficit.

³⁵ *Сборник альтернативных программ развития Беларуси*. Под ред. В. М. Шлындикова, Мн.: Бестпринт, 2001, p. 266–330.

Against the backdrop of a comprehensive analysis of the economic situation, the National Bank's experts proceed to stating that the main reason behind the crisis is inferior competitiveness of most domestic enterprises and the national economy at large. They explain that such a situation is a legacy of the socialist economy and its general backwardness. Yet, simultaneously, the experts also admit that 'the failure of the government to understand the macroeconomic situation in Belarus, the lack of clarity in choosing ways of reforming the socio-economic relations in a newly-established sovereign Belarus, as well as indecisiveness and inconsistency in conducting economic reforms have been the main reasons for economic crisis symptoms to set in'³⁶.

The authors point to the problem of then unreformed real economy, which turned out to be in conflict with the National Bank's course of tight monetary policy and efforts to slow down the inflation and national currency devaluation in 1995–1996. In order to resolve the conflict, the National Bank's document offers a plan with measures aimed at financial recovery in the economy. Part One of the action plan encompasses a range of measures to stimulate capital expenditure projects and improve competitiveness of domestic enterprises. Following this are measures to streamline the social services and welfare system, ensure better regulation of personal income and employment, and support small businesses in job creation initiatives. Parts Three and Four are devoted to issues of improving monetary and exchange policies. The National Bank's experts point out that changes in inflationary processes, namely inflation exceeding devaluation, result in domestic prices nearing world prices and in eroding competitiveness of domestic enterprises in price terms. Part Five includes measures geared to improve the fiscal and budget systems. Their main idea is to lower the taxes for undertakings, and thereby improve tax collection. Part Six pays considerable attention to the need for fostering the growth of a financial market. Part Seven describes measures in foreign trade policy, pointing to the need for supporting national exporters and developing import-substituting output. A special part in the document is made up of institutional pro-

³⁶ Ibid., p. 275.

posals which have to precede financial recovery measures in order to work in harmony with them.

Assessment: The document offers an in-depth analysis of the reasons underlying the economic crisis of 1996. Still, the proposed program of reforms is rather limited and proposes little else than measures aimed at financial stabilization at the macro-level. Notably, even this program was not implemented at the time.

The following document was prepared in October 1996 – Guidelines for Belarus' Socioeconomic Development in 1996–2000 – approved by a presidential edict # 464, on November 14, 1996.

In accordance with the trend to modify economic policies so as to orientate them more toward social aspects, and in reaction to an unstable economic situation of the early 1990s, the document asserts that the key strategic goal for economic changes is to result in improving living standards of the Belarusian people, gradually bring them to those in well-developed European countries by building a socially-oriented market economy.

In the initial phase of economic transformation, the document envisaged macroeconomic stabilization and setting the stage for economic growth, while the second phase, i.e. post-1997, was to be a period of economic growth. Those two phases had to be completed by the year 2000.

The document describes measures aimed at a structural reconstruction of the economy, including those to improve the operational efficiency of State property, including de-nationalization and privatization, financial recovery of undertakings via restructuring and bankruptcy procedures, effect land reform by introducing private ownership of land, develop small- and medium-sized business and market infrastructure by encouraging competition, and stimulate commodity, financial and labor markets.

The program also envisages measures to develop science and innovation, real sector of the economy and capex activities, as well as calls for adjusting fiscal, price, monetary and forex policies.

Despite a large number of market measures advocated, most tend to be half-hearted solutions. Specifically, the document suggests privatizing only small state-owned companies, while large enterprises are to be denationalized, i.e. they

would turn into joint-stock companies with the controlling stake of the State. The program also says that the State will continue to own large companies for many years to come and, accordingly, a large sector in the economy will be state-owned or controlled. Therefore, there is a call for raising the efficiency of the state-owned sector via streamlining the management of state-owned companies and drafting regulations to improve mechanisms of their operation so as to achieve stable production levels, ensure appropriate discipline amongst employees and management, etc.

Similarly, as proposed, the State intends to play a dominant role in setting prices, i.e. launch market principles but retain levers of State regulation. This is to apply also to developing the real sector of the economy, i.e. prioritize housing construction and farming in economic development, and developing entrepreneurship and SMEs by providing them with consultation services, resources and protection. Similarly, the labor market is to be reformed by guaranteeing young people the right of preferential treatment in job search. There is similar mention of other areas in this context.

Assessment: This document offers a moderate program of reforms. It contains an extensive list of vaguely formulated measures, with no specific terms of taking them on board. Consequently, it is difficult to understand whether the program has actually been put to effect.

Due to general financial instability in late 1990s, higher pace of inflation and devaluation, declining exchange rate and consequent increase in physical volume of exports at lower prices, the country's industrial output and GDP growth gained momentum. Therefore, the main target of the '1996–2000 Socioeconomic Development Guidelines', that is economic growth, was formally achieved, albeit without causing market changes, which was why the market processes essentially slowed down in subsequent years.

The macroeconomic stabilization of Belarus has not been achieved to date.

One of the underlying reasons was that another program was heralded for the country – The Program of Belarus’ Socioeconomic Development in 1996–2000, developed by Eduard Eydzin, the president’s economic aide at that time³⁷.

Despite never being officially approved by the Cabinet, the program had a most significant impact on the country’s economic policy, even greater than official reform programs.

The program is noted for its expectation of quick results upon its implementation. It was founded on the premise of ‘the State that has a strategic program and a well-organized, productive and efficient government system capable of preventing the economy from collapsing in crisis conditions and of ensuring necessary conditions for an irrevocable transition to a socially-oriented market economy within a short period of time’³⁸. Along with privatization and ‘effective support for all bona fide members of the business community’³⁹, the program envisaged a number of other measures, such as ‘designating key priority manufacturing industries and output, and establishing a program of targeted centralized State support during a period of stabilization and initial development of the aforesaid manufacturing industries’⁴⁰, low interest-bearing loans to priority industries, protection of domestic producers by customs barriers, flexible State regulation of prices, which ‘is by no means a step back from market mechanisms; on the contrary, it approximates the economy to civilized market practice’⁴¹.

The program lay the ideological foundation for the government’s economic policy of the late 1990s. The implementation of its principle of ‘creating a system for channeling monies into the economic needs of the day’⁴² led to excessive money-printing, exacerbated financial instability, boosted inflation and na-

³⁷ *Программа социально-экономического развития Республики Беларусь на 1996–2000 годы (Основные направления)*, Мн. 1996, p. 257.

³⁸ *Программа социально-экономического развития Республики Беларусь на 2001–2005 годы*, Мн. «Беларусь», 2001, p. 7.

³⁹ *Ibid.*, p. 67

⁴⁰ *Ibid.*, p. 31.

⁴¹ *Ibid.*, p. 101.

⁴² *Ibid.*, p. 126.

tional currency devaluation, lowered the Belarusian ruble exchange rate, and prompted sales of Belarusian goods abroad at disadvantageous prices. Despite a growth in export-oriented output and GDP, the average pay in the country fell threefold if expressed at the market ruble-to-US dollar exchange rate.

The program's consequences were partially eliminated, albeit not until the early 2000s, when the government opted for a tighter monetary policy, exchange rate and price liberalization, and improved competitiveness of the domestic output.

The Program of Belarus' Socioeconomic Development in 2001–2005, enacted by a presidential edict # 427 on August 8, 2001⁴³, is the government's current program of reform.

It takes stock of the present socioeconomic situation in Belarus, sets out macroeconomic policy objectives and guidelines, and outlines scenarios of the country's economic development during the first five years of the 21st century.

Just like its predecessor, the '1996–2000 Guidelines for Belarus' Socioeconomic Development', the new program sets the strategic objective of 'improving the living standards of the Belarusian people to align them to the level of economically developed European countries'⁴⁴. The document emphasizes the need for enhancing the efficiency of the real sector, for technological improvement and modernization of the economy.

Market transformations are outlined in a dedicated chapter. They comprise denationalization, privatization, development of entrepreneurship, promotion of SMEs, market infrastructure formation and human resources development. The document does not offer much novel content on these issues. Again, it advocates 'prudent privatization: 'swift privatization is not envisaged for 2001 to 2005; instead, a gradual approach to reform should be considered...'⁴⁵.

Like other documents for the previous period, the program indicates the government's propensity towards excessive State sponsorship of developing

⁴³ *Ibid.*, p. 167.

⁴⁴ *Ibid.*, p. 40.

⁴⁵ *Ibid.*, p. 66.

entrepreneurship: 'varied and targeted State support will be provided to those entrepreneurs and businesses that engage in capex projects in high-priority areas'⁴⁶. It contains the same vague definitions of measures and fails to specify when measures are to be initiated.

As the document claims, the government plans to continue developing housing construction, yet vouchsafes to abandon money printing as a means of financing housing via lending. It also intends to intensify the structural economic reform, expand the area of market-based pricing and reduce cross-subsidies in the cost of energy for residential and industrial off-takers alike.

In addition, unlike the previous document, the program includes a chapter on developing the stock market.

Assessment: The document does not differ in any essential manner from its predecessor for 1996–2000. Both are very cautious and ambiguous in terms of formulating and implementing proposed measures.

Conclusions

As of today, Belarus does not have an ambitious program of market reforms which would envisage swift moves in Belarusian economic reforms and the country's integration with the international economic set-up. There is no program proposing EU accession as its objective.

A new program should outline a future economic system in Belarus in distinct terms, a system based on market principles without State domination. It would have to formulate a concept of unleashing private initiative as a driving force for developing the national economy. It would also have to reflect changes in the economic situation in Belarus, and emphasize reforms in the real sector, rather than just focus on achieving financial stabilization as former programs did. Apart from domestic changes, it should consider changes in the international economic situation, and the European Union's eastward enlargement in particular.

⁴⁶ Ibid., p. 69.

Growing public acceptance of market reforms and the European integration are important factors that could prompt the drafting of a new program. Therefore, the new program should suggest specific steps in implementing market reforms in Belarus and concrete measures aimed at Belarus' joining the World Trade Organization and the European Union.

An important idea to be incorporated into the future program should be one going beyond a mere achievement of higher living standards as fostered by economic growth and higher personal incomes. It should also comprise the premise of creating comfortable living and working conditions for the population at large, and vesting people with confidence that the future will be brighter than the past.