

Belarus

Status Index (Democracy: 1.6 / Market economy: 2.3)		3.9	Management Index		2.2
System of government	Autocracy		Population	10 mill.	
Voter turnout	83,9 % (Presidential elections 2000)		GDP p. c. (\$, PPP)	7,620	
Women in Parliament	18.4 %		Unemployment rate	2.2 %	
Population growth^a	0.2 %		HDI	0.804	
Largest ethnic minority	14 % (Russians)		UN Education Index	0.92	
			Gini Index	30.4	
Data for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2001. Source: UN Human Development Report 2003.					

1. Introduction

Since 1994 the Republic of Belarus has been led by Alexandr G. Lukashenko. With Lukashenko's presidency, Belarus' national consolidation and transformation as one of the successor states of the former Soviet Union, which had begun in 1991, came to a provisional. There is no pertinent information to indicate whether and to what extent the Belarusian presidential elections of 1994, which brought about Alexander Lukashenko's victory, were free and fair. However, there is no reason to suppose that there was massive electoral fraud. After taking office, the president was able to secure his power in 1996 with a new constitution, which was adopted by referendum. Lukashenko used political and above all administrative pressure to obtain the required majority. Since the mid-1990s he has succeeded in building and consolidating an autocratic regime.

Compared to the other successor states of the Soviet Union, Belarus possessed relatively good initial conditions for transformation and cooperation with Western economy. In Soviet times, Belarus was a state with high economic achievement potential and well-developed human capital. It used to be "an assembling line of the former USSR". In other words, its economy was highly integrated in the economy of the former USSR. The well-developed industry relied on raw materials and energy supplies from the Russian Federation and other Soviet Republics. Belarusian export mainly targeted Soviet and COMICON's markets as well as markets of the developing countries. Belarus is ethnically homogeneous and has no frozen conflicts. To the west Belarus borders directly on Lithuania and Poland, prospective member states of the European Union. These factors might be a window of opportunity for good preconditions for systemic change. In the past five years, however there has been no transformation management in any genuine

sense. On the contrary, the Soviet-style command economy and totalitarian rule were taken to the limit.

The government manages democratic rights restrictively and civic organizations have little room for maneuver, and civic actors are weak. In addition, the media are under the president's control. The economy is primarily controlled by the state. However, the government succeeded in keeping the economic and social situation stable. A key factor in its success in this regard is Belarus' relationship with Russia and especially its near total dependence on Russian energy supplies. The actual transition to a new system still lies ahead for Belarus but so far the necessary triggers have not been present.

2. History and characteristics of transformation

(1) National independence and the development of the political system: In the final years of the Soviet Union, Belarus's elite did not propel liberalization. Although, the national independence movement emerged with a strong programme of liberalization and breaking away from Russia, the movement did not have success. It was partially due to the absence of a meaningful Belarusian national identity as well as a strong will of some Belarusian decision makers to enjoy benefits of co-operation with Russia. National independence was not an active process, but a result of the August putsch of 1991. The transformation of the Belarusian Soviet Socialist Republic into the Republic of Belarus did not lead to a fundamental change of the nation's elite, and institutional reforms were only carried out slowly.

An important institutional turning point was the adoption of a Belarusian constitution in March 1994, which created the office of president. With the help of a populist electoral campaign, Alexandr Lukashenko succeeded in winning the presidency in the summer of 1994. Since then the country's development has been dominated by the president's autocratic power. With the help of a constitutional referendum in 1996, he expanded his authority and term in office as well as enhanced the power of the presidential executive in general. Since the beginning of his tenure he has attempted to control and repress the opposition, the independent media, and the private sector.

During the presidential elections of 2001, the opposition found it difficult at first to agree on a single challenger. The fact that Lukashenko nonetheless won the elections with a majority of 75.7 % on the first ballot may in part be ascribed to unequal conditions that favored the incumbent and to the generally undemocratic framework. The OSCE and the Council of Europe therefore evaluated the elections as undemocratic. Belarus has even further isolated itself from the West and oriented itself almost exclusively toward Russia. However, this orientation

has taken a new course since August 2002, when Putin established new rules of play for the Union of Belarus and Russia. Neither Lukashenko nor the opposition, however, supports Belarus' integration into the Russian Federation.

(2) *Economic reform according to the “model of a social market economy”*: When it became independent, Belarus' initial conditions for the transformation to a market economy have been favorable. It is problematic, however, that Belarus depends on the successor states of the Soviet Union—above all on Russia—for 90 % of its energy and also that it suffered considerably from the effects of the reactor accident in Chernobyl. 70 % of the radioactive fallout from the event hit Belarus.

Lukashenko ended the trend toward liberalization and privatization that had emerged in the wake of Belarusian independence. Since then he has tried to follow a model of economic reform similar to that of the successful transition economies in Asia carrying out a minimal liberalization of key economic sectors while at the same time enhancing the degree of state control. Unlike China's and Vietnam's successful approaches to transformation, however, “Lukashenko's social market economy” is not based on dynamic factors such as extensive foreign direct investments, the growth of small and medium-sized businesses, and agricultural reform. At the same time, Lukashenko is also striving to maintain and support the social service and social policy.

Within the administrative straitjacket, macroeconomic reforms move forward in small increments. The proportion of businesses that have actually been privatized stands at less than 10 % of GDP. Despite its command economy policies, Belarus is managing to maintain roughly the social and economic conditions that prevailed in 1991. Thus far Belarus has experienced neither sweeping economic growth and modernization of the economy nor dramatic and uncontrollable economic slumps.

3. Examination of criteria for democracy and a market economy

3.1 Democracy

Since taking office in 1994, President Lukashenko has developed and extended an autocratic system dominated by the presidential executive. Starting points for transformation must be sought beyond the regime, for example in the evolving civil society or in the development of the constitutional state which is currently however overridden by Lukashenko's leadership style of government by decree.

3.1.1 Political organization

(1) *Stateness*: In Belarus there are virtually no limitations on the state's monopoly on the use of force. At the same time the state is dominated both vertically and horizontally by the president's autocratic system. The government is able to impose its authority throughout the national territory with a kind of centralism reminiscent of the Soviet era, but the democratic elements of Belarusian federalism are too weak to establish a well-differentiated and capable administrative structure.

All of the citizens have the same civic rights. Problems arise, however, from the failure to differentiate sufficiently between the Belarusian and Russian identities. The official languages are Belarusian and Russian. The lingua franca is Russian, a state of affairs that is also supported by the government's cultural and linguistic policies. Among the country's religions, only the Belarusian Orthodox Church, an offshoot of the Moscow-based Russian Orthodox Church, receives official government support.

(2) *Political participation*: Elections are accepted as the modus vivendi for filling positions of political power. However, both the parliamentary elections of 2000 and the presidential elections of 2001 only met the standards of the OSCE and the Council of Europe for free and fair elections to a limited extent, and they therefore cannot be regarded as democratic. The primary object of criticism is the inequality of baseline conditions, which favor Lukashenko. The incumbent not only controls the executive branch at all administrative levels but the media as well. Because of the autocratic system of authority that he has built and dominates, Lukashenko possesses total power to govern, but the democratic legitimation of his authority must be regarded as small.

Civic engagement in Belarus is more extensive than the autocratic system would at first lead one to suspect. However, the institutional and financial conditions for such engagement are difficult, and it is usually impossible to create them without foreign support. The more directly such activities target Lukashenko, the more vigorously they are obstructed. The repertoire of repressive measures even includes the "disappearing" of opposition politicians and journalists. This makes it clear that, while the beginnings of a public sphere and public opinion exist, they are subject to massive intervention by the regime. Russian television is often the only alternative to Belarusian state television. The spectrum of independent print media is somewhat broader than that of the audiovisual media, but their scope of action, too, is compromised by interventions on the part of the state executive.

(3) *Rule of law*: Belarus's defining characteristic is the legal and de facto monopoly of the presidential executive. While the judiciary is institutionally well differentiated, at the personal level it is directly subordinate to the president. Thus,

Lukashenko appoints six of the twelve judges of the Constitutional Court, the judges of the Supreme Court, as well as those of the Supreme Economic Court.

In 1994 Lukashenko won the presidential elections above all thanks to an anti-corruption electoral campaign. Since then, the most prominent form of the political abuse of office has not been economic corruption and personal enrichment so much as the targeted use of the fabricated anti-corruption campaign itself to eliminate unwelcome opponents. The more directly and energetically civil rights are utilized against Lukashenko, the more quickly and forcefully those rights are limited by the state executive.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: The institutional structures of Belarus are not strongly democratic either according to the law or in actuality. The existing institutions are heavily dominated by Lukashenko, but they are limited in their capacity to act. However, despite the inequality of the starting conditions, the opposition regards the few possibilities that do exist as a genuine opportunity to exercise influence and improve public access to information. In this spirit the opposition attempted to take up the unequal contest against the government in the presidential and legislative elections.

(2) *Political and social integration*: In December 2000 eighteen political parties were registered in Belarus, only about ten of which had regional representations. In their platforms they are divided between approval and rejection of the regime. The anti-Lukashenko camp includes nationalist parties, like the Conservative Christian Party of the Belarusian Popular Front, reform parties, like the United Civic Party. A legacy of the Soviet Union is a very broad spectrum of interests groups which serve above all as a “transmission belt” for the president’s policies.

Democracy enjoys a high degree of approval among the population, which implies a critique of the system and Lukashenko. While he won the elections of 2001, which saw a voter turnout of 84 %, with more than 70 % of votes cast, opinion polls in fall 2002 show that fewer than 30 % of Belarusians support the president. Although the legal and financial conditions for civic engagement could not be worse, and in extreme cases opposition activities are countered by repression, civic engagement is on the rise, and there are approximately 2500 officially registered NGOs, which have some successes to report. For example, the association Civic Initiative—Independent Observation was able to send about ten thousand observers to monitor the presidential elections.

3.2 Market economy

3.2.1 Level of socioeconomic development

Compared to the other post-Soviet states—with the exception of the Baltic states—Belarus has a relatively high level of socioeconomic development. 10 % of the population by international standards and thirty according to national standards live beneath the poverty line. A value of 33.7 on the GINI index (2000) points to low levels of income inequality. At the same time, however, it also reflects the fact that a transformation has not yet begun in Belarus, and the fact that for the regime, socially compatible policies are an ideological priority.

3.2.2 Market structures and competition

Since Lukashenko took office in 1994, the state has controlled the organization of the market and competition. This is clear both from the high proportion of property owned by the state and also from the state's control of prices. Because the Belarusian elite would like to be evaluated positively by the International Monetary Fund, there has been incremental progress in the liberalization of foreign trade. Nevertheless, important sectors of foreign trade are still subject to administrative price controls. The banking system is largely in state hands, and the state uses various measures to control the private banking sector. For example, foreign capital cannot exceed 25 % of a bank's total capital, or else the banks are required by a presidential edict of 2002 to extend loans to businesses in the agricultural sector.

3.2.3 Stability of currency and prices

In the last five years the government has placed its priority on holding prices stable, which has had a negative impact on the stability of the currency. State wage and price controls are the most important instrument of the government's price policy. In Belarus, state stabilization policies are aimed at achieving the stability of prices. This has a positive impact on the population's social security and social well-being, but it does not ensure institutional security for the future.

3.2.4 Private property

Belarus does not have an adequate framework for private property. Thus the government has not yet completed the privatization of large enterprises. Small and medium-sized businesses that are insignificant in terms of their contribution to GDP find their economic activities hampered by the inadequacy of the legal and

institutional framework on the one hand and excessive state regulation on the other.

3.2.5 Welfare regime

Belarus' highly developed welfare regime is one of the priorities of its unique form of "social oriented market economy". Nevertheless—or precisely for that reason—it is too cost-intensive. This is because the government places priority on social services that are both too indiscriminate and more and more closely associated with ideological rather than social goals.

The fragmentation of society remains within tolerable limits. At more than 50 % the employment rate for women is high, but women are underrepresented in top positions and overrepresented in poorly paid occupations. Poverty is predominantly female in Belarus, but it also affects families with two or more children as well as the rural population. Especially in the areas of energy supply and utilization, Belarus occasionally tries to reconcile economic growth with concern for the environment, and it also makes qualified attempts to reflect that concern in its institutions. At the same time, the reactor accident in Chernobyl is having lasting effects. The educational sector is one of the priorities of Belarus' social policy. In addition to state educational institutions, private educational institutions are also developing, which are more international in their orientation. Belarus possesses well-developed human capital on the whole.

3.2.6 Strength of the economy

Per capita GDP is growing at a low level. The accompanying macroeconomic statistics are only moderately positive, but all things considered they seem to be under control. However, the relative stability of prices and the persistently low budget deficit receive artificial support from energy supplied by Russia. Moreover, the state budget is also subsidized by loans from the National Bank as well as by compulsory loans from private banks. The relatively strong performance of the Belarusian economy—at least according to official statistics is based on the framework of state enterprise without a market-economy orientation.

3.2.7 Sustainability

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educational institutions, private educational institutions are also developing, which are more international in their orientation. However, the public educational sector suffers from the country's self-imposed international isolation.

4. Trend

(1) *Democracy*: The actual turning points in the country's democratic evolution occurred before the beginning of the reporting period, first when President Lukashenko took office, and then in 1996 when the constitution was reformed. This change in the country's leader and the increasing institutional consolidation of the autocratic regime on the basis of a new constitution have caused the conditions necessary for political participation to deteriorate, especially for the opposition.

The situation with respect to the rule of law also became distinctly worse after Lukashenko took office. The rule of law is tailored to the president's autocratic power. This is the case for both the formulation and implementation of normative regulations. For example, representatives of the opposition have virtually no opportunity to sue the government to enforce democratic elections and allow electoral campaigns. If they nonetheless succeed in doing so, the courts generally decide in favor of the executive. Since 1994 the political system has regressed in terms of basic democratic values. The level of democratic consolidation has diminished significantly with respect to both institutional stability as well as political and social integration.

(2) *Level of socioeconomic development*: There has been no fundamental modification of the institutional framework of the economy. This means Belarus remains in a predominantly pre-reform stage of evolution. The state remains in firm control of production, enterprise, price formation and the credit. Individual advances, such as the new investment code of 2001, have little effect because of regression in other areas. In the last five years, the official annual growth rates of GDP lay between 3.4 and 8.4 %. Thus Belarus has maintained its level of development from 1991 much better than most of the other successor states of the former Soviet Union. However, its economic growth is not based on the growth of the private sector, but on the economic performance of state-owned enterprises. This cannot be considered a qualitative change.

On the whole it must be remembered that the developments of the last five years unfolded under President Lukashenko's autocratic power. The political priority is to expand the president's legal and actual influence and design economic reforms to serve the ideal of a "social oriented market economy," with excessive state property and social security. This pre-reform stage has made it possible to achieve growth without modernization or political transformation.

5. Transformation management

5.1 Level of difficulty

The individual factors that determine the level of difficulty vary considerably. According to information from the European Bank for Reconstruction and Development, per capita GDP stood at \$1,217 in 2001, a middle-income level. Belarus' value of 0.92 on the 2002 UNDP Education Index reflects the country's good human capital. Again, these values show the country's transformation has yet to begin. Among the country's other advantages are its ethnic and religious homogeneity and its low disparities in income.

Belarus possesses negligible, or at least only weakly developed, civic traditions. However, since the collapse of the Soviet system in 1991 there have been numerous civic activities to report. The stable institutions of the state, which are oriented less towards the separation of powers and democracy than towards the consolidation of Lukashenko's power, are an obstacle to, and not an achievement of transformation.

5.2 Reliable pursuit of goals

The government focuses its reform efforts on the establishment of a "Belarusian social oriented market economy." In actual fact, however, it is less concerned with transformation than it is with conservatively perpetuating the status quo. The government associates social security with the preservation of state influence on the economy. It implements measures that correspond to its objectives, but it is not guided in its priorities by the country's needs in the areas of development and transformation. The astonishingly high popularity of the president is based in no small measure on his rejection of a short-term transformation of the country at the population's expense.

The government places priority on maintaining social security at Soviet levels at the expense of structural and qualitative change. Thus it guarantees a fundamental reliability of expectations with respect to the life of its citizens, but no legal certainty. The economic framework is stable because little qualitative change or modernization is permitted. The more vigorously social and economic actors become engaged and the more they impinge on Lukashenko's immediate interests in the process, the sooner political insecurities will arise.

5.3 Effective use of resources

An effective use of resources is also dependent on the regime's objectives. Recruiting procedures, especially for key positions are guided by political motives much more than by competitive selection criteria. There is little transparency with regard to the national budget. The ratio of the annual state budget deficit to GDP was 4.2 % in 1999 and 2.8 % in 2000. The national debt in 2000 amounted to - 0.6 % of GDP. The comparatively small state budget deficit, combined with the government's efficient utilization of the budget, might at first seem to be an index of the government's efficient utilization of resources.

However, despite these positive indicators, the Belarusian national budget has considerable fiscal problems. The state, in general, and President Lukashenko's executive power, in particular, intervenes directly in the granting of loans, the setting of interest rates and the evolution of prices. This involves not only the extension of loans to the public sector but also the forced extension of loans by commercial banks, for example, to subsidize the sensitive agricultural sector. This policy eases the burden on current budgets, but it does so only by delegating deficit spending to the banking sector. If these quasi-fiscal activities were no longer shifted to the banking sector, the state budget deficit would be substantially higher.

A constitutional amendment of 1996 already establishes an extremely dominant position for Lukashenko in the government's administrative structure. Among his other powers, the president appoints and dismisses members of the electoral commission; appoints and dismisses members of the cabinet, including the prime minister; and appoints the chiefs of the Supreme Court, the Constitutional Court and the Supreme Economic Court. He also appoints six of 12 justices on the Constitutional Court, as well as all the remaining justices of the Republic of Belarus.

In addition to exercising power granted under the constitution, Lukashenko bypasses the institutional system and governs directly by means of decrees and directives. This governing style is illustrated, for example, by Ukase no. 152 of 20 September 1998, "On Several Measures to Coordinate the Activities of the National Bank," or Decree No. 40, which permits the president to expropriate the property of physical and legal persons without compensation. Lukashenko's personal directives are implemented by the executive branch, which, in turn, is accountable to the president himself.

Lukashenko's dominance within the Belarusian system of government extends to the municipal and regional levels as well. The president appoints the leaders of regional and municipal administrations. Legislative bodies in the administrative regions as well as in the cities and towns have only very limited opportunities to

participate. This is especially the case with respect to Belarus' weakly developed financial federalism and the circumscribed political decision-making processes that prevail at the regional level.

On the whole, President Lukashenko compels the government to utilize its financial and administrative resources in order to preserve his power. Thus, goals are set primarily with the preservation of power and the perpetuation of the existing system in view, not transformation.

Guidelines for the future "transformation"—or more correctly, for Lukashenko's policies—are summarized in the "Foundations of the Socioeconomic Development of the Republic of Belarus 2001–2005." This document continues to place priority on the creation of a socially oriented economy. In this regard, the government seems to be quite aware that, in the medium term, the maintenance or improvement of the social situation will require structural economic reforms.

The government seeks to keep its annual budget deficit below 1.5 % in the future. At the same time, however, it also plans to reduce the tax burden, which currently stands at 36.2 % of GDP, by 5 or 6 % by 2005. In addition, it seeks to improve the conditions for small and medium-sized companies by dismantling the administrative hurdles that stand in the way of registering businesses; simplifying tax law and reducing the tax burden; and reducing checks and inspections, which are often politically motivated. Furthermore, the government intends to carry out structural and institutional governmental reforms that are supposed to entail an overall reduction of 10 % in the government workforce.

It implemented the first changes in 2001, reducing the number of ministries from 44 to 28, cutting the number of cabinet members from 60 to 38 and reducing the number of deputy prime ministers from 8 to 4. The plan exhibits mild liberalizing tendencies, for example in the relaxation of government price controls. A reform of the social sector is also planned. The government intends to orient the system increasingly towards those in need, rather than dispensing services universally and indiscriminately based on membership in particular population groups. As a result, it hopes to be able to cut taxes and enhance the social system's efficiency.

As it pursues its program of socioeconomic reform, the Belarusian government is also negotiating a treaty with Russia concerning a union of the two countries. The introduction of a common currency, which is supposed to take place by 2005, could have a significant influence on the future economic development of the country. However, this depends on the future evolution of relations between Russia and Belarus. The prognosis for bilateral relations has changed considerably since President Putin took office. As they currently stand, Russia's conditions for the implementation of the treaty of unification are no longer politically acceptable to Belarus.

Since adopting the new reform program in 2001, the government has realized only a portion of its objectives. Yet the program, itself, calls only for gradual change. The political leadership, with President Lukashenko at its head, pursues structural and qualitative reform of the political, economic and social systems only to a limited extent. The strategic development and transformation measures do contain democratic and market elements, but they are not designed to diminish Lukashenko's influence or to effect a change of government. The country's eventual transformation depends on its domestic development, but it also depends, quite fundamentally, on the elaboration of the treaty of union with Russia and the pace of its implementation. However, the implementation of that treaty calls into question Belarus' degree of national independence, and it jeopardizes the country's national autonomy.

In the areas of education and healthcare, the government has succeeded in maintaining the standards of the Soviet era. Its self-imposed isolation from the West, however, inhibits contacts with Western countries. The command of foreign languages and experience abroad that equip one to act in a global world are, therefore, frequently lacking. Despite comparatively good baseline conditions in the realm of human capital, the government does not ensure an adequate framework for functional markets. Thus, not only is transformation inhibited, but there is also a very real threat of regression.

In Belarus, in contrast to other post-Soviet states, corruption is a secondary problem. The country's value on Transparency International's Corruption Perception Index stood at 4.7 in 2002 (Poland stood at 4.0, Russia at 2.7, and Ukraine at 2.4; lower rankings reflect greater corruption). The fact that corruption is not pronounced in Belarus stems, above all, from the fact that privatization of large-scale industry has not yet begun. Economic corruption therefore tends to occur in the realm of small and medium-sized businesses as well as in that of social services, for example in the educational and healthcare systems.

Alexander Lukashenko succeeded in winning the presidential elections of 1995 with an electoral campaign that focused on combating corruption within the executive branch. Since taking office, however, Lukashenko often utilizes the anti-corruption campaign merely as a means of eliminating political opposition and keeping a tight rein on private enterprise. Thus, various opponents of the regime were sentenced to multi-year prison terms in anti-corruption trials, and opposition candidates were barred from running for election because they had failed to declare amounts of income equivalent to \$10.

The budgetary process in Belarus is not transparent. Parliament has very limited rights with regard to formulating the budget, and it has even fewer with respect to monitoring it. In addition, the president controls the so-called President's Fund, which is neither anchored in the constitution nor subject to state supervision.

Parties are financed exclusively by membership dues or donations. Electoral campaigns, however, may only be financed by the government. The funds supplied by the government for this purpose are infinitesimal and prohibit a pluralistic election campaign. For example, in the municipal elections of March 2003, candidates in the city of Minsk each had a mere EUR 40 of campaign funds at their disposal. Additional contributions may not be made directly to a candidate or party, but must instead be made to the general election fund.

The judiciary's independence is structurally limited. Lukashenko appoints the majority of the country's judges, including those on its highest courts. Because Lukashenko issues important decisions over the head of the legislature in the form of *ukases* and directives, tangible beginnings of democratic reform in the legislatures have a limited impact. The judiciary utilizes legal means—for example in connection with the battle against corruption—to eliminate opposition.

Belarus is geographically and culturally close to Europe. This will become an even more important factor when Poland and Lithuania, the country's immediate neighbors, join the European Union. However, national identity is so underdeveloped in Belarus that the union of the country with Russia poses a threat to the Belarusian nation state as such. It is difficult to separate the identity of the elites or the population from the Russian and Soviet past. For this reason Lukashenko deliberately affirms the continuity of the Soviet heritage and does not exploit the country's European potential. Thus, Belarus' political elite ignores historical possibilities that could help to support a policy of reform. Indeed, the political elite only pursue reform to a limited extent.

5.4 Governance capability

While mistakes and policy failures lead to changes, those changes have only a marginal effect. There is no change of policy, especially of economic policy. Thus, it is possible to perpetuate well-established approaches. The pressure for economic and political reforms, therefore, remains extremely limited. By deliberately putting off reform, the government has avoided the negative consequences of transformation. Lukashenko has tailored large parts of the country's political, economic, and social regimes to preserving his personal power, leaving little room for maneuver of social, economic and political actors besides the regime. Both he and his administration, however, are subject to increasingly negative public opinion. Thus far, however, there are no effective avenues for a change of regime that are capable of attracting majority support.

The future of political authority in the country depends fundamentally on the relationship with Russia, as well as on the extension of Lukashenko's presidency. The latter, however, cannot take place without amending the Constitution by

referendum. As with the organization of the political system, the government takes the allocative effects of its policies into account, but makes no attempt to improve the allocative efficiency of the markets. Instead, the president tries to compensate for economic backwardness through displacements within the system. The relationship between reformers and the Lukashenko administration is characterized by the dominance of the regime, and a partial facade of democracy and market principles.

5.5 Consensus-building

The current consensus surrounding reforms and their objectives is enforced from above. Because the central political and economic actors are directly appointed by Lukashenko, their reform activities are structurally and personally tied to the president's program. The opposition's posture is marked by hostility to the government's policies. The opposition distinguishes itself more by its rejection of Lukashenko than by its positions on substantive questions concerning reform and the path towards democracy and a market economy. The relevant political and economic actors who might be able to promote reform fail because the president thwarts reform attempts in general.

Among Belarus' peculiarities is the fact that its society is not characterized by relevant ethnic, regional or religious conflicts or by far-reaching conflicts involving class. The government is, therefore, called upon to manage social conflicts to a very small extent. At the same time, the potential for modernization and democratization that is associated with the existence of social fault lines is also lacking. The government deliberately holds fast to the Soviet styled social policy and uses solidarity as a bulwark against the process of transformation. In this sense, however, solidarity cannot be equated with justice or modernity, but with their opposites. To date, Belarus has not come to terms with the injustices of the Soviet period.

5.6 International cooperation

International cooperation is largely prevented by the self-imposed isolation of the Lukashenko regime. Because of the country's domestic situation, agreements signed between the European Union and Belarus were not ratified. On Sept. 15 1997, the Council of the European Union decided to limit relations with Belarus until the Belarusian leadership returns to a path that leads to democracy and the rule of law. In the same year, the Parliamentary Assembly of the Council of Europe suspended Belarus' special guest status.

Belarus' relationship with Western capitals is also strained. The tension is expressed, for example, in the refusal to issue visas for Belarusian governmental representatives, including the president. Until the Belarusian leadership declares itself willing to change course and embark on a path of sweeping transformation, collaboration with European and international financial organizations will continue to be difficult and confined to low levels. Cooperation is effective where the issues involved are primarily technical and administrative. There are positive examples of projects of this kind in which the World Bank, the UNDP or German government programs collaborated with non-governmental organizations (NGOs) and local administrations.

Both the government and the political and economic reformers are interested in cooperating with single neighbor states, as well as with regional and international actors. As in many other areas, the framework for cooperation is established by the president's policies. Lukashenko's foreign policy has thus far focused primarily on Russia, but it has also included problematic partners such as Vietnam and Iraq, as well.

6. Overall evaluation

With respect to the last five years, this report concludes the following concerning the baseline conditions, current status and evolution of Belarus' political and economic transformation and the political management achievement of the actors involved:

(1) Baseline conditions: The baseline conditions for transformation must be regarded, on the whole, as positive. Belarus emerged from the former Soviet Union with well-developed human capital and a highly capable industrial sector. There are no ethnic, religious or separatist cleavages that might escalate violently and threaten transformation. With its geographical location and its size, its partial historical tradition as a European country and borders directly on the expanded European Union, Belarus could have good prospects for strong ties with the West. The immediate proximity of Poland and Lithuania could carry with it the opportunity to absorb those countries' experiences with transformation.

Belarus' weak national consolidation had a negative impact on transformation. There was never a national movement of independence, and neither the Belarusian elite nor the opposition actively contributed to the breakup of the Soviet Union. The affinity with Russia stands in the way of transformation. Russia subsidizes Belarus economically and this artificially preserves the autocratic government's room for maneuver. The first steps towards democracy and a market economy taken in 1991 were halted abruptly when Lukashenko took office.

(2) *Current status and evolution:* The evolution of Belarus' transformation towards democracy and a market economy is infinitesimal. Lukashenko's policies are focused on preserving his own power and on developing a "social economic order" modeled more on Soviet ideals than democratic ones. Where political and economic reforms took place in individual areas, they were generally not consistent and sustainable enough to represent a true systemic change.

(3) *Management:* In recent years the government has succeeded in achieving economic growth while, at the same time, retaining strict control of the political system and the economy. Lukashenko avoided the social hardships attendant on transformation. Because the leadership did not support the creation of private property nor the legal framework it requires, Belarus' economic growth is necessarily based on state-owned large industry as well as on subsidies from Belarus' vastly more powerful Russian "brother nation." When opposition representatives or members of the cabinet developed alternative reform plans, efforts to implement them failed because of the autocratic character of the system. The opposition also tried to bring about systemic change through a peaceful transfer of presidential power. In addition to extremely unequal baseline conditions, however, the opposition was also too weak and too divided to bring about a successful change of regime.

7. Outlook

Belarus still has its change of regime ahead of it. Such a change would first mean stripping Lukashenko of his power. Various scenarios are conceivable for a change of regime. According to the constitution, the president may serve a maximum of two terms. Only a referendum could change this. Thus far, it is unclear whether the necessary majority would embrace such a referendum. Of course, the experience of previous elections makes it impossible to rule out a purposeful manipulation by the government. However, if it is possible to pass the necessary constitutional amendment, Lukashenko would then have to face an additional vote. This would once again raise the question of the necessary majority, but it would also raise the question of the opposition's power and the potential for government manipulation of the election.

Relations with Russia will have a decisive influence on Belarus' development. Options for transformation will depend in no small measure on which political and economic interests the Russian president, Vladimir Putin, chooses to pursue. Leaving behind the rhetoric of Slavic brotherhood that had predominated, Putin adopted a clear position in the summer of 2002. According to that position, union with Belarus could either mean the incorporation of its administrative regions into the Russian Federation or a confederation of states like the European Union. Both versions would effectively mean the end of Belarusian independence. Minsk,

however, would also have to catch up with Moscow in terms of transformation. In addition to Russia's political interest in a union with Belarus, Russian actors also regard Belarus as an attractive market, especially as 80 % of Belarus' property remains in state hands and is, therefore, potentially open to the influence of Russia's big economic and financial groups. Thus far it is still an open question whether and how Putin will put increased pressure on Minsk to carry out reforms and to what extent this will impact Belarus' national autonomy.

As soon as Lukashenko steps down—whether in response to increased domestic pressure, pressure from Moscow or Western engagement—a change of systems still lies ahead, with all its associated economic, social and political tasks. In addition to its generally positive baseline conditions, Belarus might also benefit from its neighbors' experiences with transformation. In view of the course of post-Soviet development thus far, special attention should be paid to the social aspects of systemic change.