

# European Choice for Belarus

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# The project

The idea of the project 'European Choice for Belarus' came about when it was evident that one could not count on economic liberalization, as promised in Lukashenka's 2001 presidential campaign. Despite certain economic stabilization, negative trends continued: increased cost of living, widespread pauperization, growing numbers of unprofitable enterprises, etc. The authoritarian regime tightened its policy, while the polls reflected a fall in the president's popularity. All this was the reason why we revisited the subject of reform.

This project, initiated in the summer of 2002 did not come out of the blue. It would have been impossible had it not been for the independent analytical centers in Belarus which published a number of in-depth studies in 2001–2002. One of these, *Integration of Belarus and Russia. Analytical papers* (Minsk 2002), proved that the union of Belarus and Russia was institutional fiction and prospects for reunification were illusory on the one hand and, on the other, that Belarus stands every chance of preserving its independence, but it must implement comprehensive reforms in the economy, the political system, education and social policy.

This project elicited strong interest among Belarusian economists, political scientists, lawyers, sociologists, experts in education and in a broadly understood social policy field. At the first meeting of experts (September 2002), the initial position toward democratic transformations

necessary for democratic changes in Belarus was agreed. The project's substance was developed in more detail at subsequent meetings in smaller teams working on reform projects for more focused aspects of life in Belarus.

Another important element in our work was to ensure an external perspective. Experts from Central Europe took part in these meetings, and they not only enriched the discussions with the experience from their home countries, but also commented and critically reviewed ideas put forward by Belarusian participants.

A result of this project is the volume *Belarus: Reform Scenarios* published in Belarusian, Russian and English in 2003.

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# ***Belarus: Reform Scenarios*** **– summary of the volume\***

## Rationale

The need to reform the Belarusian political, economic and social security system is increasingly the call of the day. Belarusian society is increasingly aware of this, as proven by the eroding popularity of president Alexander Lukashenka. What can one expect if democratic reforms continue to be blocked? One of the greatest dangers of an authoritarian system is the accumulation of social and economic problems which the system fails to resolve. The society therefore loses control over the authorities while the state is appropriated by a group of people. The low efficiency of the administrative apparatus and the lack of institutional decision-making procedures breed corruption and nepotism. The cost of preserving such a system is a burden on the taxpayer that is disproportionate to the results. Although the old, Soviet debts have not yet been paid back, the new 'Lukashenka debts' are beginning to accumulate. These problems are a burden upon the society, but the bill will have to be footed by future generations and it will be much higher than today.

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There is an alternative to such prospects: the European Union. EU membership entails high living standards, high quality consumer goods, the rule of law, a sense of security, a chance for guaranteed personal immunity and social justice. The idea of a 'European Belarus' is more understandable to Belarusians than the notions of democracy, human rights, freedom of press, which might sound rather obscure for a man in the street. No doubt, certain social groups are interested in reforms which would approximate Belarus to EU membership, and such interest will grow as the economic and social situation deteriorates. The European option might be a compromise platform for different views on democratic reforms. It is an understandable alternative for the 'Lukashenka model' and stands the greatest chance for winning support among Belarusians.

## 1. Political system reforms

The Belarusian regime can be described as a reactionary dictatorship accustomed to Soviet-style rule, with strong totalitarian tendencies. Its inherent ideological element is not so much in its mere yearning for a bygone era as conscious attempts to stop the process of democratization at all cost, and to restore key elements of the Soviet system in a modified form.

Formally speaking, Belarus is a classical model of constitutional presidential democracy. In practice, it is a super-presidential republic transformed into a dictatorship. Power is concentrated in the hands of the president, while the status of those in state hierarchy depends on his support. The number of factors that have any bearing on national policy has been reduced to minimum. The regime does have certain trappings of an elective democracy, but it prevents fair elections which could lead to a change in power.

The current constitution of 1996 in fact vests the president with unlimited prerogatives. Although – formally – the president is not the head of government, he actually has prime minister's powers. The president can issue regulations and decree-laws, declare any government regulation null and void which means that he performs legislative functions. Not only does

the president exclusively affect the formation, activity and dissolution of the parliament, but he also enjoys unlimited powers in the formation and shaping of other state structures and bodies such as the constitutional court, electoral committee, etc. Furthermore, the impeachment procedure is complicated and effectively precludes the president's deposition. The power of the head of state relies on the presidential vertically integrated 'division' present in municipal, district and regional administration. Atop this structure sits the presidential administration in actual function of a parallel government.

The parliament is therefore practically a piece of window dressing, a body mechanically endorsing presidential decisions. The government is not formed by the prime minister but by the president who also sets the course for domestic and foreign policies. The prime minister and the government are merely administrative, which comes down to following and implementing the president's decisions. Local government is subordinated to the central power, with the administrative division of the state being designed to ensure effective top-down control. Political parties have been ousted from the political system and do not function normally. The majority-based electoral system is still rooted in the Soviet traditions. According to the Organization of Security and Cooperation in Europe and the Council of Europe, the electoral regulations do not guarantee free and democratic elections. The judicature, a carry-over from the Soviet Union, is neither independent nor fair and equitable.

### 1.1. Standard model of a political system

A new model of a political system in Belarus ought to be based on generally recognized principles of the European law: devolution and decentralization of power, a parliamentary system, checks and balances of power, an independent judiciary, the rule of law and respect for laws and civil liberties.

Negative experience of the presidential system in Belarus strengthened the position of those advocating the western European version of the

parliamentary model. However, the shortcomings of this model – in a situation of major diversification of the Belarusian society in terms of values and political views, combined with a lack of democratic traditions – are bound to breed frequent parliamentary crises. A more realistic approach is seen among the proponents of rebuilding the constitutional presidential system in line with the 1994 model; they stress that only a stable executive power independent of the parliamentary disputes of the day will be capable of carrying out the necessary reforms. The problem is that this system could be precarious in countries with a long tradition of authoritarian rule. In the world at large, mixed systems are gaining popularity which attempt to combine features of both models.

For Belarus, the best solution seems to be one of a parliamentary-presidential republic (as in France, Poland, or Lithuania), which would also take European experiences into account.

This system is based on substantially restricted presidential prerogatives. With complete separation of the executive power and the representative function, the former is exercised by the government headed by the prime minister, while the latter is given to the head of state. The president, however, is not only a symbol of national unity, but also plays the role of a mediator and arbitrator in disputes on the political scene. The government is the central body of political power and is accountable to the parliament. What is necessary, therefore, is an effective system of local self-government independent of the central power.

For Belarus, it would be best to choose a model of the legislative power with a unicameral parliament (proposed name: the ‘Sojm’) with 260 seats. In the interim period and in order to strengthen political parties and ensure greater stability of the political scene, a mixed, proportional, and majority-based electoral system ought to be introduced. This system, however, should guarantee representation of national and regional interests of major political parties and the broadest possible group of citizens. The president will be elected in universal suffrage for a maximum of two five-year terms.

Courts of law ought to become guarantors of law and of civil liberties; in order to do that, they should have warranted independence. The structure of the judiciary ought to encompass the constitutional tribunal, general jurisdiction and specialized courts including business courts and administrative courts. The militia should be transformed into a police force and thoroughly reformed. The State Security Committee (KGB), having been transformed into a National Security Service (SNB), must be subject to permanent parliamentary control.

## 1.2. Constitutional reform

Reforms of the legislative, executive and judiciary ought to be carried out within the constitutional framework. The 1996 constitution cannot be considered legitimate. The constitution of 1994 could be the only ground for transformation. Since then, a lot of changes have taken place which necessitates the passing of an interim constitution.

Once drafted, the interim constitution ought to be subject to comprehensive discussions on various levels. Following that, the main political parties should summon the Constitutional Assembly made up of representatives of political parties and organizations in function of then-current political situation in Belarus. The Constitutional Assembly would either be held in Belarus or in one of the neighboring countries. Its agenda would include the passing of the interim constitution and calling presidential, parliamentary and local elections. To prevent rigging, all the elections should be supervised by international observers.

If supported by more than 2/3 of the Assembly, a commission and a popular tribunal may be set up to investigate the abuse of power under Lukashenka. Once the legitimate judiciary system is set up, the evidence collected by the tribunal would be forwarded to the courts.

The swearing in of the president and parliament would be the last act of the Constitutional Assembly. The next stage would be to draft a new constitution on the basis of the interim one, and ratify it in a referendum.

This reform will be considered complete once representational bodies of power are established on the basis of the new constitution.

## 2. Economic reforms

Since economic reforms were initiated in this region in the early 1990's, Belarus has been an outsider. Fragmented reforms were interrupted once Alexander Lukashenka came to power. Structurally, the Belarusian economy remains a Soviet-type economy (lack of market structures, absence of a job market, centrally controlled prices). Institutionally, it has retained a number of characteristics of the command economy, including the domination of state-owned property and the state's dominant role in redistribution. The entire policy of the authorities which aims at strengthening the state sector dominance can be defined as 'economic populism' ignoring the risk of inflation and budget deficit.

It is quite phenomenal that the failure to carry out any reforms has not led to a collapse in the Belarusian economy. Despite rampant inflation, since 1996 we have seen an increase in the GNP. Despite the authorities' dubious methods, economic growth is a fact nonetheless. It was induced by an expansionist monetary policy and 'financing through issuing' which leads to currency devaluation and erodes its purchasing power. Economic growth was brought about with political means: provisional success was used not to initiate structural reforms but to strengthen the existing model.

The rate of unprofitable enterprises has reached 48% in 2003 while profitability of the remaining ones achieved by failing to invest is so low that they cannot be modernized without external subsidies.

Fixed assets are depreciated by almost 80%. State aid to unprofitable enterprises elicits limited interest in increasing profitability. The current state investment policy is evidently populist: many assets are wasted to protect domestic enterprises from imports. Foreign trade deficit is rising; a temporary increase in exports results from petroleum processing and re-exports of Russian oil. The amounts spent on fuel demonstrate high energy

consumption and extensive nature of the Belarusian economy, as well as prospective reliance on Russia for energy. Ongoing decline in farming is just as evident: profitability is slightly over 2%, while all the state does is continue to impose import restrictions.

Volatility is one of the most important macroeconomic problems (the highest inflation rate among all post-communist countries; price increases are administratively limited by the Ministry of Finance). The authorities constantly interfere with the forex market, among others by imposing the obligation on exporters to sell foreign currencies. Consequently, in a dollarized economy, the US dollar has become parallel legal tender alongside the Belarusian ruble (BYR). Actual budget deficit is constantly rising, but at the same time welfare programs are expanding, as do allowances and benefits, with effectiveness far from being perfect given that 60% of the population is covered by these programs. One result of this policy is extremely high taxation, which stimulates the growth of the shadow economy. Individual business initiatives are stifled; this is exacerbated by the lack of legal safeguards for property, vague laws, the overriding power of presidential ‘edicts’ over legislative acts and a bureaucratized economy. The administration is still opposing all privatization processes.

## 2.1. Reform programs

One of the basic arguments for reforms is to improve the standards of living and to establish conditions that would lead to general prosperity. The prospect of continuing the current situation seems to be rather frightening, as Belarus might suffer from:

- permanent underdevelopment as compared with developed Western countries and the neighboring countries;
- the final collapse of the welfare system rooted in the socialist period, which will not be replaced by a free market system, as is the case in most counties;
- growth of poverty, gradually assuming proportions of a nationwide disaster.

Several decades of the communist system resulted in popular distrust of the free market, bred egalitarian sentiments and general apathy. Therefore, it is necessary not only to set up new institutions, but also to instill new values, primarily by generating mechanisms that stimulate people's activity. One of these would be to reform the judicial system (which would bring back the confidence in law and institutions that safeguard it) and government administration (to guarantee impartiality and respect of law among civil servants). The 'pro-market' orientation would also have to be promoted by the media and the education system, thus preventing the widespread tendency to link one's success with the state and its operation.

An effective economic reform would call for a simultaneous combination of measures aimed to:

- liberalize economic relations, including the liquidation of centralized management of the economy and its deregulation, freeing up prices and a gradual phasing out of government subsidies for selected sectors (transport), liquidation of state monopolies, radical reduction of customs duties, development of real estate, capital, information, advertising and insurance markets.
- support the privatization process, including denationalization of state property, which would bring about private ownership, unleash privatization forcibly slowed down by the executive; draft privatization legislation, establish a separate institution to supervise the privatization of large enterprises that would be accountable to the parliament, liquidate uncompetitive enterprises, establish the overriding power of the privatization law over acts of the lower order, introduce the mechanism of bankruptcy, safeguard the primacy of privatization through purchase of company assets, eliminate restrictions in the trading of stocks and shares and introduce the notion of the 'golden share', guarantee equal rights for foreign and domestic investors, expand auditing of enterprises in course of privatization.

Privatization proceeds ought to be accumulated on privatization fund accounts which would be used to finance protective and stabilization

measures and social programs. Another part of the privatization process ought to extend into land reform, the basis for returning private property and allowing free trade of land.

- macroeconomic stabilization including: completion of the price reform, which comes down to freeing up the prices which in turn would enable rehabilitation of government expenditure, currency reform and monetary policy stabilization by introducing a currency board, i.e. pegging the Belarusian ruble to a foreign currency of choice (the euro) and guarantee state non-intervention in this area; reform of taxation and government spending cuts.

This in turn will be conducive to developing the bank lending system, a prerequisite for domestic investors' participation in the privatization process on a much greater scale than so far. The tax reform (including simplification of taxes and scrapping most exemptions granted arbitrarily by the executive power) and guarantees of additional proceeds from privatization will allow for financing protective measures for the unemployed given that the unemployment rate in the first year of the reform could reach around 20%. Later, it will be necessary to reduce taxes while maintaining the progressive system: eventually, income tax should be reduced to 10–15%, and VAT to 16–18%.

If these reforms are to succeed, it is necessary that Belarus become a member in the World Trade Organization.

It is also necessary to minimize state aid to enterprises. All policies aimed at supporting or assisting the economy ought to be systemic (as opposed to the 'hand-held' control exercised today), which comes down to setting up appropriate conditions for the functioning of the economy.

Predictably, the institutional issues will be one of the most important problems for restructuring (weak competition and weak institutions of advanced free-market economy, lack of well-developed banking sector or capital markets), followed by financial difficulties (limited resources and loans), and technological obstacles (the need to invest in modernizing technologies that would be efficient in the processing of natural resources).

Some of the sectors in particular need of comprehensive reforms are the:

- financial sector. The aim of its reform (possible only if coupled with political transformation) is primarily to increase the domestic lending capacity. In order to achieve it, it is necessary to institutionalize private property and guarantee independence of the central bank. One of its results could be an increase in bank retail deposits.

In subsequent stages, the development of investment and pension funds is necessary, provided that restrictions on private trading of securities are eliminated along with income tax on capital gains.

- foreign trade. With economic liberalization, Belarus should increase its exports to EU countries to a minimum of 60–65%. A precondition for this is membership in the World Trade Organization.

- heavy industry. Due to the size of the existing enterprises and lack of investors capable of sustaining such a burden, these companies are likely to end up in the hands of foreign investors – with the state's share being guaranteed.

- farming. Nowadays the *sovkhoz* (cooperative) and *kolkhoz* (state-owned) farms perform certain social functions on top of their economic role. Their reform should include transferring these functions to local government. One of the first moves would have to be to denationalize *kolkhoz* property and plant forests on the least profitable land. Most of the taxation burden should be replaced by property tax.

- energy sector. By 2010, Belarus should modernize around 80% of its power plants. It might therefore be necessary to increase energy imports.

## 2.2. Job market

The main aspect of the job market reform is to minimize state intervention aimed at a full regulation of labor relations. Instead, one would need to guarantee freedom of operation for businesses. Increased efficiency of the economic system can be achieved only if the employees and the employer are able to freely negotiate the terms of their cooperation finalized in the contract.

Below are the most important tasks for such a labor reform, which would guarantee:

- employment for all capable of working and interested in employment;
- employment structure possibly at its most rational;
- boost in employees' initiatives and their ability to seek employment on their own;
- stimulating individual entrepreneurship;

One of the most pressing needs are changes in the labor laws, including legalization of the institution of contract and flexible forms of employment, simplification of hiring and dismissal procedures, and elimination of the state sector tariff system that ties private companies. Adopting legal regulations conducive to developing small and medium-sized business is equally important.

Complete elimination of government intervention in the job market is currently impossible. It should be nonetheless limited to cooperating in reducing the negative consequences of unemployment and supporting educational initiatives in this area including retraining, vocational education, etc. At the same time, one should take into account the fact that the system of unemployment benefits should stimulate job-seeking. It is also necessary to eliminate all the administrative restrictions in the free movement of labor (e.g. 'reserving' the right to be employed only for those registered in a given area).

Tripartite dialogue (between employers, trade unions, and specialized government agencies) is also necessary. At the same time, the role of the tripartite agreement should not be overestimated, as these could hinder the development of a flexible job market. It is nonetheless necessary to promote gender equality in the job market.

It is advisable to maintain minimum wages and restrict unemployment benefits to six months per year.

### 3. Social policy reform

From the Soviet Union, Belarus has inherited a welfare system based on the principle of full employment; the burden of financing this system was on the employees and state authorities. Eventually, the system increasingly burdened with additional functions turned into a system of patronage of allowances and benefits which did not always target those in real need. Even today, the idea of 'social justice' does remain attractive and its preservation was one of the most popular political claims even in liberal milieus after Belarus regained independence. This was also present in most reform programs put forward after 1991 by political parties, independent experts and presidential candidates.

#### 3.1. Diagnosis of the welfare system

##### *Healthcare*

In recent years, Belarus has seen increased mortality, incidence of diseases and a markedly reduced life expectancy. Another problem is the health of those living in areas affected by the Chernobyl fallout in 1986.

The main reason behind the deterioration is the inefficiency of the state healthcare system; the state impedes the development of private healthcare making it nigh on impossible while, at the same time, de nomine free healthcare is actually becoming a service for a fee: an increasing percentage of the cost is to be borne by the people. In 2002, the authorities decided to significantly limit the number of operations and medical interventions administered free of charge by the national health service.

Unpaid medical care on this scale is unsustainable due to lack of adequate state funds. Parallel to reductions of state benefits, a (largely 'shadow') market for medical services emerges. Most Belarusians are entitled to national healthcare services while being forced to incur double expenses: regardless of paying taxes, patients have to pay for certain services. In the existing environment, both the state and the private sectors are incapable of offering healthcare at an appropriate standard. State monopoly for the

services does not lower prices, but the existence of two parallel medical services sectors can be an additional burden for those in need. Failure to develop the health insurance industry leads to chaotic development of the 'shadow' healthcare sector, frequently offering the same services as the national health service. Lack of comprehensive healthcare will augment the mortality rate.

#### *Welfare and pension system*

Belarus is exceptional in its range of welfare benefits offered: it covers between 40–50% of the entire population. The benefits are also highly fragmented, with average monthly welfare benefit not exceeding USD 3, and 'diffused': they cover both the system of allowances and exemptions (ca. 300 different kinds for different occupational and social categories), plus subsidies to certain commodities and services. They are awarded at the expense of the poorest whose needs are not satisfied. The scheme devised for victims of the Chernobyl disaster is yet another inefficient system failing to stimulate people into seeking employment.

Within the pension system, based on the principle of distribution of means and referring to the notion of 'social solidarity', pensions and retirement money are paid to 26% of the population. Despite a flattening in the pension structure, they consume nearly 8% of the GDP; they are also a burden on the budget of enterprises and personal income (altogether 36% of remuneration), and are conducive to fostering the 'shadow' economy which, combined with the growing number of unprofitable companies results, in an even greater debt of welfare funds. The aging of society and low retirement age (60 for men and 55 for women) will lead to increasing the debt.

The growth of the 'poverty area' testifies to the welfare system's inefficiency despite 14% of the GDP being allocated to that end. Its greatest shortcoming is in the wastefulness of resources and their transfer in the form of impersonal subsidies to goods and services; of equal importance is corruption and the overburdened system of subsidies and benefits. Most are perceived as part of a legitimate bonus system or compensation for low living standards. The state aims to preserve this system (thus undermining

the ability of most of its people to earn their own living in a market economy) and, at the same, out of necessity shrinks the benefits, which must inevitably lead to greater popular discontent.

A pressing need is to liquidate state monopoly in the pension market (even if triggering prospective funds shortage due to the aging of the society), set up a system for accumulating assets allocated for pensions and liquidate an extensive system of early retirements. In the meantime, the state has no developed reform strategy. The system's collapse is particularly likely in the event of a fundamental market reform and the resultant liquidation of hidden unemployment and temporary fall in government revenue. Further subsidies to the pension fund will up labor costs, thus reducing the competitiveness of the economy.

To maintain the status quo will mean to spur growing social injustice, lower living standards for pensioners and, in the long run, if attempts are made to manage the crisis by raising the retirement age, they might lead to social unrest.

#### *Public services*

Most residents (91.3%) live in buildings erected after World War 2. Only a small percentage are owner-occupiers; nearly 10% live in multi-family buildings or barracks. Most buildings have been built in the quickly aging prefabricated concrete technology.

Administration and management of these buildings is in the hands of the so-called 'division' (ZKCH), a national administrative structure; public services are subsidized by the government. The market for services is practically nonexistent, which prevents it from being consumer-driven. There is no body to control the rates randomly set by each government agency. In 2001, a program was initiated to achieve profitability of public and housing services, but has been ineffective as yet.

This system is predominantly burdened by municipal buildings and housing estates; their depreciation period will be up within the next dozen years or so, which in turn might result in snowballing construction disasters. But, at the same time, resources collected from the tenants for

reconstruction and renovation disappear in common coffers. A system of housing loans is still non-existent.

### 3.2. Basic assumptions for the reform program

The main instrument to increase efficiency and performance of welfare services is far-reaching re-privatization of institutions that administer these services, cost cuts and constant monitoring of the system beneficiaries' needs. The following steps are necessary in each constituent area:

#### *Healthcare*

- All healthcare institutions (except for a few clinics and research institutes) ought to be taken over by employees with the buyout option and fee-paying provision of medical services.
- The network of primary care physicians ought to be transformed into a network of primary care family doctors/GPs (and they will be encouraged to self-employment) to be chosen by individual patients; specialist services will be available upon production of referral.
- Physicians' work and the quality of their services will be evaluated by dedicated commissions at the local government level. These will also exercise price control and decide on the allocation of funds.
- Local governments will set up healthcare funds that would cover the costs of hospital treatment; initially, these funds will be financed by the state budget. At the same time, insurance funds will be set up from contributions paid by adults. Every person will be issued with an insurance policy. The healthcare funds will also finance medical care of children and the elderly.
- It is necessary to reduce the number of free-of-charge medical services, with the remaining expenses refunded by medical insurance funds.

#### *Pensions and retirement money*

Another important element of the pension system reform are personalized accounts, where monies for retirement funds will be collected. The retirement funds would concentrate on generating a profit and function as public limited/ joint stock companies, with guaranteed participation of local authorities. By then, pension funds would have to be set up from

public funds, employer and employee contributions; full implementation of the new system could last about 40–50 years.

- it is necessary to introduce separate solutions for the system of social preventive measures for the unemployed and orphans; this aspect of welfare ought to be in the hands of local government.

- All special pensions awarded by the state on the grounds of specific merits should be abolished; possible gratification ought to be limited to a raise in the remuneration during one's active employment.

#### *Welfare system*

- The most urgent need and task is to introduce a 'personalized' welfare system. This aim will be served by eliminating all budget subsidies to prices of goods and services which, by definition, are impersonal.

- A number of welfare services can be offered on a non-cash basis (guaranteed hospital treatment, boarding house stays, etc.)

- Welfare should be offered primarily to families with many children, pensioners and disabled persons (in this case it is advisable to use the non-cash forms) and the victims of failure of state institutions and bodies (e.g. victims of crime).

- Given the special character of welfare services, appropriate institutions ought to be subject to rigorous scrutiny.

- It would be advisable to integrate structures providing welfare services and paying pensions.

- It is necessary to verify the number of those entitled to welfare, and have it financed by public/budget funds only.

#### *Utility services*

- A long-term aim of this reform is to separate utilities from welfare and the social sector, and their full commercialization. This should be done in light of the restitution of private property and ownership of land and tenement houses.

- Within 2–3 years, the share of those in need of state assistance, given the commercialization of public services, will be on the rise.

- Current public utilities' property ought to be divided into private and municipal as quickly as possible. At the same time, public limited/ joint stock companies ought to be set up which would be entitled to offer utility services on a commercial basis and to divide the existing enterprises by service type (power supply, water supply, gas supply, etc).
- Prices and tariffs for utility services ought to remain the prerogative of local authorities.
- All form of transport subsidies ought to be promptly abolished.

#### 4. Prospects for European integration

A European Belarus is not only a dream of a group of intellectuals; it is an aim to guide the logic of further democratic transformations. In Central and Eastern Europe, political and economic reforms and European integration were interrelated processes, which also defined the meaning of post-communist transformation. Accession to the European Union was not only a goal that would justify the painful and hard reforms, but also a guarantee of the irreversible split from the totalitarian past. 'Europe' is a variable, which allows us to show and explain the differences in the transformation process between those post-communist countries where reforms were pursued within and without the context of European integration. This is an important lesson for Belarus, the only Eastern European country to set its course of democratic and market reform.

On its way to European integration, Belarus faces obstacles which seem to be insurmountable. The first such obstacle lies within Belarus itself. To what extent do its nationals feel part of the European civilization, the cultural and political traditions? 'Return to Europe' is a dream of only a part of the Belarusian society and (counter)elites which, however significant, are not yet dominant and have no bearing on strategic decisions.

For the rest of Belarusians, Europe is a terra incognita, uncharted land to be discovered only if they would wish to do so. Another obstacle lies in the European Union, where Belarus is not considered part of the European space

lacking the elementary awareness of there being such a state and nation. Nevertheless, when Belarus and EU countries are to meet as members, new rules and mechanisms of mutual relations must be devised.

#### 4.1. European future of the new neighbors – the EU position

The prospects for a European Belarus largely depend on the openness of EU itself which sets the rules of the game. Its strategy of relations with new neighbors is formulated in: Wider European Neighborhood: a New Framework for Relations with Our Eastern and Southern Partners. The document stresses that the integration of new neighbors can happen only on the basis of similar values and a similar institutional basis that would ensure their realization. In other words, it proposes quite a reasonable alternative: become 'European' on home ground before talks of European integration begin, or part with any hopes of integration. However, what is worrying in this strategy is a uniform treatment of European and non-European neighbors of the EU, which casts a shadow of pessimism on the European future of Belarus. All the more so that, despite positive signs and overtones in the rhetoric of official documents, some EU leaders signal that – to Europe – anything east of the river Bug is an unrealizable and absurd idea. Evidently, we have a contradiction between policy aims of new relations between neighbors and the instruments offered to make them happen. The internal choice in favor of Europe among the new neighbors will not be possible if they are refused the target of EU membership, and the prospect of an unequivocal 'no' at this stage might have detrimental consequences for their development.

That is why it is important for the democratic future of western CIS countries including Belarus that the terms of rapprochement with the European Union take into consideration their European affiliation. The best form of the 'new partnership' would be to develop the eastern dimension in the EU foreign policy.

Why then should the European Union pursue closer integration with the new European neighbors, particularly with Belarus? Because, it is in

the interest of the EU itself. Stability and dynamic economic development in a neighboring country adds to strengthening the united Europe. These aims cannot be achieved without active efforts on both sides. Without appropriate investments and involvement of the European Union, it is hard to believe that the state across the new European border will be particularly interested in building a ‘friendly belt’. That is why inaction is no alternative for the new neighbors across the new borders. The questions remains, however, of whether we be investing in their democratic and European future or in constructing a *cordon sanitaire*.

In the case of Belarus, an important link in the new network of neighbors, lack of EU interest in closer relations might be justified only on the assumption that this country will always remain what it is – an unpleasant but hardly troublesome neighbor. It would however be naïve to believe that Lukashenka’s regime will guarantee a lasting peace and order on the eastern border of the EU. Belarus will have to change, and it is at least in the Community’s interest that these changes are for the better. Also, historical, economic and cultural relations of Belarus with new EU members are the reason why Poland, Lithuania and Latvia are interested in keeping close relations with this country. It should be reminded here that a rapprochement with the new neighbors of the EU is no philanthropy; there is no reason to doubt that, as reforms progress, Belarus will become a market for European companies.

#### 4.2. Belarus: negative and positive factors of European integration

A change of the political system and a move towards democracy are necessary conditions for rebuilding and normalizing relations between Belarus and Europe, and only in such a case would it be possible to speak of any prospects for European integration. Prospects of democratization in the nearest future should not be deemed impossible regardless of how unlikely they might seem. A development of a mutual relations policy must take this prospect into account without considering the current reality as something permanent.

Besides political trends that separate Belarus from the West, one could observe social processes there which might turn into an important ground for transformations in a short time. Factors which make such evolution not only possible but also credible include: transformation of the political culture and social structure of the Belarusian society, gradual exhaustion of the current economic system's capabilities and changes in foreign policy trends. One should emphasize the elimination of remnants of the cold war, which gave Lukashenka's regime the status of the 'last bastion' for NATO eastward expansion.

One of the main obstacles that question the European integration of Belarus is its inability to create an efficient model of market economy. Only once these have been implemented which, let us reiterate, Belarus has no choice but to introduce, can one talk about a model more or less resembling a European economy. The inevitability of these reforms results both from non-viability of the current economic system and a change in external conditions, especially in the context of Belarusian-Russian relations. Belarus is going to face a choice of a market economy: a 'liberal' western model or a compromised 'Byzantine' one. This choice will determine not only the political but also the civilization future of this country.

A necessary condition for European development is to democratize the people's mindset and the political culture in Belarus. The failure of initial attempts in the early 1990's was not due to Belarusians rejecting the very idea of transformation, but the reluctance to change the existing lifestyle and relations between the state and the people and between people themselves. Although the last decade has seen profound evolution and a painful revision of the old, Soviet dogmas in this sphere, these processes have not yet reached a critical point. The social basis of the totalitarian regime, however shrinking, covers a substantial part of the society (20–30% according to independent sociologists). Also, declarations of support for the free market and democracy are rather expressions of admiration of the attractive European lifestyle than of the willingness to embrace objective values or the readiness to pay a price for them.

This evolution of social attitudes was possible largely due to the fact that Belarus was not completely closed and isolated in the last few years: at least 1/3 of Belarusians go abroad every year. Drawing a 'paper curtain' with the new visa regime introduced by new EU members might hinder such important processes.

The Belarusians' choice to join the EU is tightly linked with another, even more important decision: be an independent separate nation with its statehood or choose vanishing through integration with Russia. A 1999 poll revealed that the people opt for either nearly in two equal parts (49 % and 42 %, respectively). Meanwhile, 60 % Belarusians would support EU membership. This is not a contradiction, as the slogan 'with Russia to the EU' is gaining popularity. The Belarusian-Russian integration has not gone so far as to preclude any discussions about the European future of this country.

#### 4.3. Europe and Belarus – from the past to the future

The EU policy towards Belarus in 1997–1999 did not differ much from the strategy of 'selective contacts' conducted by the USA. This involved isolation of the Minsk authorities and establishing contacts with organized civil society. Not only has this policy failed but rather helped to strengthen the position of the authoritarian regime. This was a result of the attitude of the Belarusian authorities, which deliberately broke off contacts with the outside world, as it was considered potentially dangerous for the existing political system. Such a policy is well exemplified by the 1998 affair with diplomatic missions, or the subsequent pressure put on the OCSE mission. Therefore, refusal by the Belarusian authorities to grant a tax exemption to the TACIS program, which resulted in a complete suspension of this program in Belarus in 2002, appears to be equally deliberate.

In the political vacuum in relations between Belarus and the European Union, one may see a clear lack of concepts as to how to improve these relations. The EU employed the strategy of 'reactive cooperation' which means that contacts with Belarus were widened in response to the action of Belarusian authorities aimed at liberalizing the political life and

improvements in human rights compliance. This strategy is slightly different from the strategy of 'selective contacts', as the latter saw the independent sector as its partner; the former was directed at cooperating with the authorities. Both are equally ineffective, as they are based on a wrong assumption: that Lukashenka's regime is interested in goods and privileges which it is refused. While the Minsk authorities are not only capable of reducing EU's impact on internal Belarusian processes to a minimum, they could destabilize the political climate prompting the EU to reduce its presence there, thus doing in fact what Minsk wants it to do. Therefore, the closure of the TACIS program did not yield any negative results for the authorities as it rather hurt the change-oriented and reform-minded milieus in Belarus.

No strategy will ever be effective without active and genuine participation and interest of the society at large. Best results will be achieved by working on establishing conditions for political, economic and social changes. Such a strategy is based on simple logic: to help change the horizons and models of life of Belarusians, to have them discover Europe for themselves, offer assistance in anything leading to social demand for change. An important element of this approach would be to intensify the non-politicized economic, social, educational, and cultural programs carried out in cooperation with partners that do not subscribe to the 'authorities vs. opposition' axis, which everybody is accustomed to already. The point is to help Belarusians help themselves (also in closer relations with Europe). This strategy may take the form of a whole set of capacity-building programs – a development of the professional, intellectual and business potential, international contacts of future decision- and opinion makers who would be the driving force behind the democratic changes in this country.

#### 4.4. Strategy of rapprochement and integration

Can the European Union help Belarus in becoming a democratic and European country? And if so, how? A conservatively optimistic scenario

foresees that political transformations in Belarus will take place within this decade. By the time democratic institutions are established, the EU can aid and support the development of positive social trends visible even today but which, possibly, may make the democratic transformation inevitable in the future. The European Union ought to maintain cultural, academic, educational and interpersonal contacts which have already been established but could be endangered by EU expansion. Cooperation with Minsk authorities should be pragmatic and avoid stirring internal conflicts and isolationism of Belarus. Benefits of such a policy may turn out to be so big as to warrant certain concessions and, in the event of strict limitations on the part of the regime, use the European space and adjacent countries as a platform for contacts. Non-governmental organizations from Poland, Czech Republic and the countries of Eastern Europe are already actively involved, and their support has proven to be an important element of the Belarusian policy of the EU.

A democratic transformation in Belarus will open possibilities for a new quality in relations with the EU. The country will therefore face a choice – the model of a market and democracy. The EU might then offer invaluable help in forming institutions capable of ensuring the quality and stability in the democratic system and market economy, and bringing the political and economic system closer to European standards.

With the previous two stages achieved, the third would be Belarus' membership in the EU. At present, it is hard to predict whether Belarus will achieve this goal. Let us remember that the integration of Central and Eastern European countries seemed equally impossible in 1989. Today, these countries are EU members. There is no reason to think that Belarus could not tread the same path.