

Reviews

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Catching up with Europe

Wojciech Stanisławski

As for the generic character of this term, Belarus may be said to be a country ridden with bad luck. For centuries, the lands on the Central European Plain without clear geographic borders between the Bug and Desna Rivers have been described as situated 'east of Poland' or 'west of Russia'; for centuries, they were part of Russia's or Commonwealth of Gentry's¹ spheres of influence, the latter eventually reduced to Poland. Warsaw, Vilnius or Moscow were the centers of gravity for the best and the brightest who, under different circumstances, would have formed local elites.

It was not until the turn of the 20th century that Belarus saw the first generation of educated Belarusians with sufficient critical mass to identify themselves with their country and be willing to assume responsibility for it. For the better part of the 20th century, Belarus did not gain independence. It was nonetheless afflicted by exceptional misfortunes: armies of both world wars rolled back and forth through its lands, with belligerents resolving to the scorched earth policy (in World War 2, Belarus suffered the greatest

¹ Direct translation of „Rzeczpospolita szlachecka” (Pl), denoting the Commonwealth of the Kingdom of Poland and the Grand Duchy of Lithuania, commonly understood to mean Poland before the 1795 partitions [ed.].

human losses of all the Soviet republics). For most of the 20th century (1917–1991), Belarus was part of the Soviet Union, and its inhabitants suffered cultural russification, sovietization, terror and violence, as symbolized by the Kuropaty cemetery near the capital city of Minsk, where thousands of victims were secretly buried. Belarus was not spared the ‘modern’ calamity of reckless use of new technologies: due to the nuclear reactor explosion at Chernobyl in 1986, a dangerous and deserted zone of radioactive fallout stretches between Belarus and Ukraine, and the country has the highest cancer incidence in Europe.

The collapse of the Soviet Union and the fall of the communist system in the late 1980s and early 1990s raised hopes for a change of the status quo. Democratic Belarusian elites, relatively weak due to the repression and russification, attempted to expand the country’s independence, initially using the opportunities offered by perestorika and liberalization triggered by Gorbachev out of his own initiative. They started at the time of Gorbachev’s concurrent declarations and revelations of the truth about the Stalinist terror, until then symbolized by the “killing fields” at Kuropaty. Yet, when the communist system of governance collapsed and Boris Yeltsin took power in the summer of 1991, Belarusian democrats decided to follow the other ‘emancipating’ republics of neighboring Lithuania and Latvia and declared independence. Cooperation with the communist nomenklatura proved necessary; some were genuinely reform-minded while others, as it turned out later, counted on these changes as a potential chance to stay in power. In the autumn of 1991, Belarus lived its democratic ‘honeymoon’: on 25 August 1991, the Supreme Council, soon to transform into the Parliament, declared independence. A few weeks later, the state was renamed the ‘Republic of Belarus’, a name still valid, despite the country being dependent on Moscow and the formation of the ‘Union of Russia and Belarus’.

Hopes for rapid modernization and democratization were not to come true particularly due to the fact that, out of all other post-Soviet republics except Moldavia perhaps, Belarus proved to be the most sovietized, backward and dependent on the USSR in terms of energy supplies and the economy.

The first two years saw conflicts between relatively independent democratic milieus and the former *nomenklatura* gradually regaining influence. Having quickly latched on to the rhetoric of democracy and independence, they remained Moscow-oriented and reluctant to hand actual control of the country over to the people. As it turned out, of equal importance was the energy and economic dependence of Belarus; the backward heavy industry, until then working to serve the needs of the Soviet economy (largely the defense sector), was rather like a ball and chain to the economy than a foundation for dynamic economic growth. If we couple this with lack of natural resources, ineffective farming dominated by state-owned farms (*sovkhoz*), reluctant attitudes of USSR-bred elites towards the free market and lack of entrepreneurship dampened by three generations of people living in an inefficient yet omnipotent welfare state, it becomes evident that the first two years of democratization and privatization in Belarus could not have been successful. Disenchanted with the transformations and the political and media conflicts which spawned feelings of perceived chaos in comparison with the stagnant Soviet times, a large part of the society started to turn their back on what was incomprehensible 'modernization' or 'independence', and seek safe havens of stability and social security. This chance was seized in 1993 by Alexander Lukashenka, a low-ranking member of the *nomenklatura* and member of the Supreme Council.

Alexander Lukashenka is usually referred to as the 'dictator' responsible for all the misfortunes Belarus is experiencing. This is an oversimplification: Lukashenka ought to be considered a dictator for his disregard for democratic standards, readiness to resort to violence (since he took power in mid-1990's, many democratic activists, journalists and publishers died in Belarus), brutal repressions (mass-scale clubbing of demonstrators by riot police in the spring of 1996), and for his megalomania and attempts to assume an image of a paternalist leader. At the same time, one ought to remember that Lukashenka came to power via democratic procedures, with his campaign based on fears and hopes of a society tired with the ongoing transformation. He gained prominence in 1993, when he indiscriminately

attacked the ruling elites, accusing them of corruption. Nearly a year later, on 10 July 1994, he was elected president of Belarus. Since then, Lukashenka has frequently manipulated democratic procedures, misled the public opinion and – much to his favor – did not hesitate to introduce amendments to the constitution in the autumn of 1996, and extended his term which *de iure* was to have ended on 20 July 1999. For this reason, many in the democratic opposition consider his rule illegitimate, which view is supported by the Council of Europe. It should be remembered that he still enjoys considerable support: in the constitutional referendum in the autumn of 1996, he was supported by 70% of all voters, with a similar number of votes cast for him in the presidential election of 9 September 2001. Even if this support waned somewhat due to economic stagnation or greater democratic awareness since then, it should be borne in mind that Lukashenka is still capable of mobilizing support. This is possible for a number of reasons. During the ten years of his rule, the ‘nation’s father’ has marginalized the parliament, and subordinated all structures of power to the president’s office. On most levels [of government], election was replaced by nomination. Lukashenka has also developed a security apparatus (or, arguably, reconstructed its Soviet structures), whose victims include representatives of organized opposition and, primarily, the independent media. Nearly all the media in Belarus are subordinated to the president, which opens more opportunities for manipulation and propaganda influence. Also, Lukashenka-controlled media are very clever at vilifying or ridiculing the democrats by appealing to fears of the open market, the West and the reforms and fondness for the welfare state and stability/stagnation (‘stagbidity’) of the Soviet era. These fears and sentiments proved to be more widespread in Belarus than in Russia itself.

Despite the weakness of the Belarusian society, Lukashenka could not have stayed in power if it had not been for its mighty protector. Russia is invariably interested in keeping Belarus within its sphere of influence, particularly given the complete reorientation of the former Baltic republics which became NATO members 2 years ago and joined the EU in May 2004,

or given that Ukraine is still independent. With rampant recession and the political collapse in mid-1990's, Moscow saw Belarus as the perfect candidate for a satellite state, a transit corridor and also a low-cost foreground for various kinds of diplomatic and national security games.

Lukashenka's interests do not necessarily converge with those of Moscow: one after another, Russian presidents offered him their support, at its most spectacular when provided by Boris Yeltsin, who supported Lukashenka despite protests of the Belarusian Parliament, Constitutional Tribunal and public opinion. But, they are still interested mainly in seeing a continuing existence of Belarusian 'dependence structures', while the ruler himself is incidental for them. Lukashenka was useful in the past when he fought the opposition and, by the same token, opposed efforts to build a truly independent Belarus or to reorient it westward. Possibly, Moscow might choose another favorite in the future, perhaps a representative of the opposition, which should rather be considered as an anti-Lukashenka rather than a genuinely democratic move.

The process of (re)integration of Russia and Belarus started as soon as the Moscow clique was past the peak of the *smuta* (chaos), the state's collapse. As early as in 1993, prime ministers of both countries signed agreements establishing an economic union, coordinated budgetary policies and unifying currency systems. Since 1996, rapprochement efforts have continued which, if only due to the disproportions, are bound to lead to actual incorporation of Belarus by its more powerful neighbor, or at least its complete subordination to Moscow. Due to changes in the legal and national formulae (in 1996), the 'Association of Belarus and Russia' was established, modified into the 'Union of Belarus and Russia' a year later. Since December 1991, a 'Federal State of Russia and Belarus' has existed, but is of secondary importance given that Moscow intends to maintain Belarus as a dependent state.

Russia is effective in the pursuit of its goals: for Minsk, close cooperation is a condition sine qua non of national stability, as proven by the sheer occurrence of the 'energy blackmail' in February 2004. For Alexander

Lukashenka, Moscow's support and recognition of the debatable legitimacy of his regime is the only chance for keeping his presidency and to force recognition in the international arena. At the same time, while controlling the Belarusian political scene (including a substantial part of the anti-Lukashenka opposition), the energy sector (monopoly in energy supply), the economy (with most companies dependent on Russian capital!), the armed forces (common defense space, monopoly for equipment modernization) and intelligence services at a relatively low cost, Russia keeps a bridgehead on the EU border where it can pursue its goals in matters of defense, security, intelligence and diplomatic affairs.

Lukashenka's authoritarian rule has sidelined Belarus vis-à-vis the rest of Europe. This is the only European non-member of the Council of Europe. Since 1997, EU relations with Minsk have been practically frozen. The EU did sign the Partnership and Cooperation Agreement with Belarus in 1995, but in view of Lukashenka's violation of democratic rules, the agreement has never taken effect. Pressure from the likes of OSCE, Council of Europe and the EU, and appeals to the Belarusian president to change the political course have been fruitless.

Thus treated, Belarus is threatened with becoming a 'vanishing point'. A marginalized country, a terrorized and apathetic society will be less and less important for the rest of Europe and will be gradually and effectively isolated. On 26 May 1999, president Lukashenka, who takes delight in symbolic gestures, removed the barriers at the border between Belarus and Russia, while barriers at the western borders are piling up, to which travelers and observers may bear witness on a daily basis. Democratic elites which declared independence back in 1991 and restored the Vytis, an old-time national historical emblem, cherished hopes for a Belarus that catches up with Europe and overcomes the undeserved underdevelopment. In June 1995, Alexander Lukashenka restored the Soviet emblem and the dependence structures. The Vytis was 'shelved' again whence the opposition tries to dust it, in vain. The country stooped the pursuit; the elites have no choice but to watch Europe vanish in the distance.

Yet, Belarus does have an alternative. In the current conditions in Eastern Europe, a country may not be marginalized and subordinated in defiance of the people. Belarusian citizens can and should be persuaded that there is a clear and credible alternative to stagnation, that cooperation with the EU, a reasoned modernization of the economy and social structures do not have to stand for chaos in the public sphere, or ‘thievery-privatization’ (*prichwztizacija*). Given the propaganda-induced reluctance toward the ‘West’ and obstacles to communication across state borders, it is advisable that such proposals be drawn up by independent, democratic Belarusian elites. These studies prove that they can do it.

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Locked-in Collapse

Dariusz Filar

In the first presidential elections in Belarus in 1994, Alexander Lukashenka ran under the banner of: 'Saving the Nation from Falling in the Precipice'. Its main points: management of the economy through direct control of state-owned enterprises, preservation of the *sovkhoz* (state-owned) and *kolkhoz* (cooperative) farming system, drastic currency market restrictions, price and interest rate control, initiation of state investment programs (particularly in the construction industry) proved that, according to this document, the 'fall in the precipice' was to be engendered by any bolder step towards a market economy, while 'salvation' meant preserving the substantial part of Soviet systemic solutions. 'Belarus: Reform Scenarios' written by independent Belarusian intellectuals and published owing to the efforts of the Stefan Batory Foundation, has one paramount advantage: it offers a concise summary of the economic achievements of nearly ten years of Lukashenka's presidency. Throughout this period, the Belarusian economy was characterized by a peculiar combination of macroeconomic factors, which perfectly reflects the internal contradictions and tensions of the path chosen. Thus, we can also see that this course has been constrained from the outset, and the chances for extending it are diminishing.

One of the economic priorities set in 1994 was to boost economic growth. This failed in 1995 (with GDP rapidly falling), or in 1996 when it just hovered above the 0% mark; yet, 1997 and 1998 spawned a GDP growth of nearly 10%. Still, in the five years of 1999–2003, the growth rate failed to reach the record-breaking levels of 1997–1998 and remained at 3–5%. Although some independent Belarusian analysts tend to challenge the reliability of official statistics, they do admit that the Belarusian economy was growing from 1997. This picture turns a little bleak when the nature of the recorded growth is examined. It occurred in a setting characterized by dynamic monetary expansion and accompanying inflation. The rapid growth of 1997–1998 drove the inflation index up to 64% and 73%, respectively. Attempts to curb prices through administrative control – the launch of what is known as ‘goods of fundamental social import’ with price freeze – resulted in constant disruptions of supplies and practical disappearance of these goods from the market. Since 2001, inflation has largely been restrained, but continues at a two-digit level.

Another characteristic of the Belarusian economic growth of the last few years, apart from high inflation rates, was that it was driven by consumption while investments were halted. 1998 was the last year that saw a relatively high investment-to-GNP rate of 22.6%. Since then, the index has been systematically falling to around 16% in 2003. Such a low scale of investments is even more dramatic for Belarus where over 60% of enterprise assets are said to be completely depreciated (before Lukashenka took power the index was close to 40%). Foreign investments are unlikely to pour in given the macroeconomic situation and the political climate in Belarus, a country with the lowest FDI-per-capita index of all post-communist countries. Moreover, a substantial part of capex efforts comes from just one source – Gazprom’s expenditure on its pipelines running across Belarus.

The growth of Belarusian GDP is particularly affected by its foreign trade profile. Over 5% of its exports and nearly 70% of imports are attributable to countries of the Commonwealth of Independent States, primarily

Russia. Some exports to alternative markets (primarily to the European Union) are driven by the sale of potassium salts, lumber and petroleum products; advanced technology accounts for less than 4% of the total exports volume.

Certainly, more examples are available to illustrate the peculiar character of the Belarusian economy that all lead to the same conclusion, however: Lukashenka has succeeded in prolonging the functioning of a Soviet-type economy for a few years and in restraining symptoms of its collapse, at least the external ones. The price paid for 'locking in' the economic growth is high, accompanied by moments of treading a fine line between inflation and hyperinflation, increasing depreciation of fixed assets, heavy reliance on the Russian economy and reckless exploitation of natural resources. A 'locked-in', suspended or delayed collapse does not obviously mean that problems of the Belarusian economy have been solved. What we see today is a continuous postponement of the ultimate disaster, perhaps partly alleviated by delusions of extending the time still ahead.

What about the attitude of independent Belarusian intellectuals toward Lukashenka's experiment? Are they prepared to undertake alternative measures when they become feasible? Analyses published in this volume by the Stefan Batory Foundation amply demonstrate the complexity of the Belarusian situation. On the one hand, economists and sociologists explicitly state that each consecutive month and year spent in the current set-up widens the gap between Belarus and the rest of the world, particularly in terms of technology and know-how. They also point to the final depletion of this system's reserves, which must lead to suspending welfare payments and, consequently, to rapid impoverishment. The longer the Belarusian economy functions 'as is' the higher the cost of future transformation. On the other hand, the analysts are aware that many Belarusians see the market economy as a potential source of even greater economic difficulties that might aggravate their struggle for survival. Driven by a certain egalitarianism of 'we are all in the same boat', they are ready to opt for preserving the familiar and understandable status quo than take up the challenge of

market reforms. Creating and promoting a vision of higher living standards among the nation, a vision which may surface once the market economy is embraced, is a vital stimulus without which reform efforts may prove futile. Still, the desire to change the present living standards, largely due to last decade's heavy propaganda, is not at all taken for granted or popular in Belarus. Finding the motivation and stimuli to make the market economy appeal to the Belarusian society is in fact a reform prerequisite. That this was underscored in this publication is, in my opinion, one of its most significant achievements. Proponents of reforms are often convinced that their ideas are unreservedly shared by fellow citizens. Belarusian intellectuals are aware that they are not in the majority, and to win support of a better part of the Belarusian society for their project is a task in itself.

To the reader aware of the economic transformation processes in Central and Eastern Europe, the survey of an 'ideal economic model for Belarus' presented herein comes as no surprise. A combination of economic liberalization with institutional reforms that lay the foundations for the market economy, the restructuring of enterprises and macroeconomic stability perfectly corresponds with the achievements – or attempts – seen to date in countries such as Estonia or Croatia. But, this is the essence of ambitions of Belarusian intellectuals; they would like to see their country follow the same path. They perceive today's 'exceptional character' of Belarus as a preamble to a more lasting underdevelopment and isolation.

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