

BELARUS

choices for the future

NATIONAL HUMAN
DEVELOPMENT
REPORT
2000



Minsk
2000

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The Report has been compiled by the national experts - economists, sociologists, political scientists, jurists and environmentalists. The views expressed in this publication are exclusively those of the authors and are not necessarily shared by the United Nations, the UN Development Programme, or the organisations with which the authors are affiliated,

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Comments and further information can be obtained at the following address:

United Nations Office in the Republic of Belarus:

17, Kirov Street, sixth floor
220 000 Minsk, Belarus
Tel: (017)2278149
Fax: (017)2260340
E-mail: fo.blr@undp.org
WWW Home Page: <http://www.un.rninsk.by>

Production and layout: Medium Company
Ul Kalinovskogo 53/2
Minsk, Belarus
Tel/fax: (017)2653875
E-mail: medium@nsys.by
<http://www.rmedium.nsys.by>

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Design and publishing team:
Design: Kalenik, V.L.
Style editors (Russian): Gorelik, E. P., Khvoinizkiy, E.G.
Computer layout: Gorbacheva, T.V.
English translation: Alexander Piskounov
English proof-reading: Brian Anderson

Foreword

Humanity is entering the 21st century, as globalisation is opening new avenues for human development. Every country chooses its own human development path in the new millennium. In Belarus, the Council of Ministers has enacted the Key Objectives of Socio-Economic development up until 2010. A Socio-economic Development Programme for 2001-2005 is being developed in line with this document.

The programme should become an important landmark in the nation's progress towards the ultimate goal of its socio-economic advancement - improving people's health and living standards through balanced and sustainable economic growth, productive employment and higher levels of social support, approaching the international standards.

The key objectives set by the Socio-economic Development Programme for 2001 -2005 are as follows:

- To create opportunities for sustainable socio-economic development through greater efficiency and better performance of the manufacturing sector;*
- To increase popular access to goods and services;*
- To develop the industrial and social **infrastructure**;*
- To create a favourable living environment.*

While working on the nation's development strategy, the government is making every effort to consider the opinions of various social groups. The present Report is an indication of this approach. The Report has been produced by a team of independent experts, who have expressed their own opinions on the country's socio-economic situation and future development. Their views, therefore, can differ greatly from those of the government, and may not coincide with the positions held by the organisations to which they are affiliated. We nevertheless believe that a vivid discussion of human development issues can help resolve many of the nation's problems, promote cohesion within it, and ultimately lead the country towards sustainable development in the 21st century.

Anatoly Bogdanovich

- *Project Manager*

Leonid Zaiko

- *Scientific Editor*

Alexei Ilitsky

- *Project Coordinator (UNDP Belarus)*

On-chapter contributors:

Anatoly Bogdanovich

Leonid Zaiko

Oleg Bazhanov

Galina Gasiuk

Valery Karbalevich

Oleg Manayev

Yevgeny Medvedev

Antonina Morova

Svetlana Naumova

Irina Novikova

Victor Pinigin

Yaroslav Romanchuk

Ivan Udovenko

Olga Shimova

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Introduction

The National Human Development Report-2000 has a real chance of entering history simply because of the year in which it was published. Many of our contemporaries may say: "Fair enough - the change in millennia does not happen very often". But joking aside, Belarus is in many ways fortunate to live at the turn of a new era. The Socialist experiment is over, but what new type of society is coming to replace it? What should be done in the coming years, and what should not?

Throughout history, people have been asking very similar questions. Philosophers insist that it is just the answers that are changing. Perhaps the countries of North America and Western Europe that constitute the 'golden billion' are now in a better position than others. They are enjoying prosperity and economic stability. It will be a long time before Belarus can achieve the same - not before the middle of the 21st century at the very best. This raises one natural question - is it worthwhile for Belarus to repeat the historical evolution of the West, or is there a unique path (hat it should follow to become a role model for the rest)?

A team of national experts has come together to find answers to these questions and to assess the outlooks for Belarus. In their contributions to the Report, they examine different aspects of the nation's social and economic situation. They find that the number of problems to be addressed is extremely large, and their nature is diverse.

The Report-2000 has an inner logic and a core idea. It addresses the Belarusian dilemma from four different perspectives. The first is the overall condition of the country and the main issues of the transition period that it is facing. The second focuses on key indicators of human development and quality of human life. The third is concerned with globalisation - a new trend that affects the entire world - and Belarus' chances of benefiting from it. The Belarusian society has to examine its options carefully and make considered choice on whether to remain on the sidelines of Eurasia or in the vanguard of Europe - a decision that will inevitably affect the future of its people.

The closing chapter of the Report is concerned with the dilemmas of the future. The chapters are supplemented by a statistical summary, which is a customary, but important component of the report.

What are we trying to say and what message do we send to the Belarusian society? What are the problems that we have anticipated and brought to the attention of the Belarusian people? The main predicament of Belarus is that the choice of the path to be followed in the next century will have to be made by the present generation, affected by rapid changes and rife with controversy. However, without a clear decision on the directions of its future development, the nation will be unable to resolve any of its current problems. This is the main dilemma discussed in the Report.

The first chapter contributes insights into the actual condition of the Belarusian economy and society at the juncture of two centuries, which is both the result of the past evolution and a base for future transition. How are we responding to our present challenges, and how do we view our gains and losses?

To Belarusians, time is not an abstract notion. A lot of it has been lost during the 20th century. The time gained and lost during historical evolution gives rise to a competition of development ideas, platforms and historical models, which is equally typical of Belarus as it is of the rest of the world community.

Prior to proposing agendas and models for the future, the authors take a close look at the present. Anatoly Bogdanovich, an experienced economist and a representative of the traditional school of Belarusian economic thought, examines the most recent past, and so does Yaroslav Romanchuk, a young libertarianist. Their views are balanced by an analysis of new economic and social challenges faced by Belarus in the 21st century, done by Irina Novikova, a university professor. Belarus is changing. Growth of a civil society is an important part of this process and a prerequisite to the development of political and social democracy. The values of a civil society are being formulated through dialogue, in which various social groups are identifying and consolidating their positions and interests. The complex and controversial nature of this process is revealed in the article by Valery Karbalevich, a political scientist. In his analysis, he comes to an unexpected conclusion: that we are presently seeing the growth of a smaller, elitist civil society, which represents a necessary stage in the emergence of full-

fledged social institutions. Based on the findings of her study, economist Irina Novikova names the key challenge for the Belarusian society - to achieve rapid progress ahead of its closest neighbours. Our response to this challenge does not depend entirely on the political and economic elite. It is, rather, the responsibility of all of us, the Belarusian people.

The status of human development is the subject of the Report's second chapter. It presents different approaches to assessing the quality of life within the country and the potential for human development. The subjects discussed range from demography to personal security and crime control, but all are addressed in terms of their implications for human development and its indicators.

The main such indicator is mean life expectancy at birth, which dropped by a further 0.5 years in 1999 to 67.9 years. Rural areas are in the worst situation. Most rural men do not survive to retirement. In his article on demography, Ivan Udovenko points to a steady rise in mortality. Diseases of the circulation system, tumours, accidents, poisonings and injuries are the main causes of death in nearly 80% of cases. The article is of particular interest for its analysis of the demographic situation in light of the 1999 population census.

The institutional environment is the main theme of the study contributed by economist Vladimir Pinigin, who shares the belief that the role of institutions has been overlooked by all post-Socialist states. He also discusses the reasons for the poor development of private enterprise and the steps that can be undertaken to promote privatisation. He suggests that Belarus should now return to market reforms, a conclusion that could hardly be disputed.

Evgeny Medvedev expands on this subject by discussing the dynamic and efficiency of various sectors of the Belarusian economy. His article assesses the condition of the nation's industry and shows trends in employment and the professional structure of the workforce, thereby contributing to the analysis of opportunities for education and self-realisation that the Belarusian people have at present. In Mr Medvedev's view, the nation's future development is jeopardised by the inefficiency of most sectors of the manufacturing industry and agriculture, low personal incomes and chronic budgetary problems. Acknowledgement of these threats is a prerequisite to change, and the general public may certainly benefit from taking this view of an academic into careful consideration.

Historically, Belarus has been a country that spent a lot of its resources on supporting social services. The article by Antonina Morova, an expert in social policy issues, is concerned with the reform of social policies that could make social welfare more efficient. The old social policy, pursued by Belarus until recently, has become inefficient, and the nation is faced by the need to rebuild it. The author considers the ratio of threshold and actual social indicators, pointing to a high share of the population living below the poverty line (46.7%), as opposed to the standard of 10-15% for many other countries. In terms of income equality, expressed as the ratio of incomes of the wealthiest and poorest citizens, Belarus is ahead of the global average of 5.8, with 4.0. Perhaps we have all become poorer. Incidentally, the state and state enterprises continue to own most of the nation's wealth. Belarusian households, by contrast, own only 5.7% of national assets, down from 20.8% in 1990.

The pieces contributed by Ivan Udovenko, Svethna Naumova and Olga Shimova address the cultural, gender and environmental situation in Belarus. The range of the subjects is extensive, and we recommend a careful reading of each article. The situation in Belarus is certainly far from perfect. The aftermath of the Chernobyl nuclear accident will certainly be remembered by many generations of Belarusians and by every citizen of this country. This has been supplemented by the pain and suffering brought by the transformation period of the 1990s, marked by low incomes, high inflation and unstable living conditions. All of these problems have contributed greatly to difficulties in the funding of science and culture.

What are the implications of those tremendous social and economic upheavals for personal security? This question is being addressed by jurist Oleg Bazhanov. The social and legal environment of the country is in many ways unique. The readers may be surprised to learn that with a population of 10,000,000, Belarus has the third largest number of prisoners per 100,000 people in the world (477.8), after Russia, with 580.2, and the United States, with 553.9. The relative size of the Belarusian prison po-

pulation is in sharp contrast to many other countries of the region, such as Lithuania, with 278.3 prisoners per 100,000 people and Slovakia, with 138.6, despite a high degree of stability in Belarus and absence of ethnic or religious conflicts. Furthermore, expenditures on internal security exceed funding for the military. This controversy is yet another issue to be considered by the Belarusian public.

The chapters that follow are focused on the future, and the way in which it is seen by the political and economic elite. Our relationship with Europe is the subject of the article by Irina Novikova, who concludes: "The progress of cooperation between Belarus and Europe is linked to the gradual transition of Belarusians from a Soviet-type mentality and collectivist psychology to individualism and democracy through certain intermediate stages." What other choices does Belarus have in its movement towards integration within the world community? The answers to this question can be found in this report. Many of its views are debatable, and the opinions expressed are far from identical. But our future is also not a direct projection of the society's difficult and controversial present. Dialogue and debate on our accession to Europe are essential for Belarusians, but are also of interest to the world community and may deepen its understanding of the country and its citizens.

In conclusion, let us emphasise that those willing to know more about the country are presented not with a glamorous picture, but with a panorama of issues and views within society. Although this is certainly an ambitious goal, we have made a genuine attempt to achieve it. We hope that our ideas, assessments and findings will support Belarus' progress in the future.

At the dawn of the century and millennium

We are witnesses to a major event in history. As the 20th century is drawing to a close, a new century is entering the scene, and with it comes the new millennium. The change of times may have been of limited significance had it not coincided with a turning point in the development of mankind. Some countries have reached a stage where their further progress requires more resources than the earth can possibly provide.

In securing its economic, technological and social advancement, mankind will face significant shortages of natural resources, particularly of raw materials and fuel. If all countries raised their consumption levels to those of industrialised nations, leaving technologies unchanged, a global disaster would occur. Recognition of this fact has made it extremely important to move to a new type of economic growth and a new, post-industrial civilisation. The time has come to review mankind's priorities and values and develop new mechanisms of economic growth in order to ensure sustainable human development.

At the 1992 Rio summit, the heads of states and governments of 179 countries gave their unanimous approval to a universal partnership programme, called «Agenda-21». This document calls on all countries to implement the sustainable development concept, aiming to build a more agreeable relationship between people and the biosphere.

Sustainable human development is also important for Belarus, whose economy has long been an integral part of the ex-USSR economic system. Belarus reached the peak of its socio-economic development in the late 1980s, when it became one of the most prosperous and well-to-do republics of the former Soviet Union.

Occupying 0.9% of the ex-USSR territory, with 3.6% of its population and 3.4% of fixed assets, Belarus accounted for 4% of the Union's GDP, 4-5% of its industrial output and 5.6% of agricultural output.

In 1990, the government's spending on cultural and social programmes was fully covered by incomes, and surplus of incomes over expenditures equalled 2.6% of GDP. Inflation and unemployment were almost absent - the consumer price index in 1990 equalled just 103.9%. In 1991 and 1992, Belarus ranked 40th among 174 countries by its human development index (HDI) and was listed among those with a high HDI ranking.

The Belarusian people had access to numerous social benefits. From 1961 to 1991, 5200 to 5800 thousand square metres of new housing were being brought into operation annually. Science and education had reached a high level of advancement.

A large proportion of Belarusians, however, were dissatisfied with many aspects of their daily lives, such as poor availability of personal services, shortages of consumer goods, the need to spend large amounts of time in queues for many types of goods and poor quality of those

products, as well as the privileges granted to party and government officials.

As in the rest of the USSR, the state of the economy in Belarus began to deteriorate in the last years of this century. Economic growth rates and efficiency were in decline, technological advancement had slowed down, and the growth of popular living standards had almost stopped.

The last decade of the 20th century saw major changes in the nation's socio-economic development. The collapse of the USSR and the severing of established economic ties led to a deep crisis in the economy. The newly independent state of Belarus had inherited an industry that had served it well when it was part of a superpower, but was too complex and burdensome for a small country. Rising prices of fuel and material inputs increased production costs and made Belarusian goods uncompetitive. Institutional reforms have also been difficult to handle, and attempts to develop financial markets were frustrated by major problems. These problems were aggravated by the need to create a new legal system and develop new mechanisms and approaches to fiscal, monetary, foreign trade and investment policies. There was also a need for a new economic reform strategy.

The economic crisis was accompanied by falling living standards and rising income inequalities. The nature and duration of the crisis were affected by high inflation, which depressed the value of the national currency and was a major factor that, in addition to poor quality, decreased the competitiveness of Belarusian goods and services. Other contributing factors were rising trade deficit, financial shortages, falling investments and extremely limited capacity to modernise industry, slow progress of privatisation and restructuring and lack of incentives for private enterprise.

The liberalisation of prices in 1992 led to an acute financial crisis and galloping inflation. In 1994, GDP was just 72%, industrial output 67% and capital investments just 57% of the 1990 level. Income disparities increased tremendously over that period. Unemployment appeared and began to increase. Life expectancy at birth declined from 71.1 years in 1990 to 69.0 in 1994. Real incomes in 1994 equalled 91% of the 1990 level. Throughout the crisis period, capital was migrating from production to trade and commerce, which offered disproportionately higher and faster return on investment in conditions of high inflation. As a result of falling life expectancy at birth, Belarus' HDI ranking declined to 62nd out of 175 countries.

In an effort to bring the country out of crisis, an emergency anti-crisis programme was drafted. Through its implementation, the rate of inflation and budget deficit reduced substantially in 1994-1995, the deterioration of popular living standards slowed down, and production decline was halted. At this stage, a new objective emerged - to enable transition from a period of economic decline to stabilisation and limited growth. The key

objectives of socio-economic development for 1996-2000, adopted during that stage, spelled out three priorities - export, housing and food.

The basic principles and recommendations of Agenda-21 have received widespread recognition in Belarus. In 1997, the government drafted and approved a national sustainable development strategy, which laid out a vision of the country's development, and defined the type of state, society and economy to be built in the future. The strategy reflects the current trends in global social and economic advancement. It recognises the world's movement towards a post-industrial society, based on new technological patterns and the need to provide opportunities for consistent development and growth of every individual.

A future advancement model for Belarus should recognise that every country has its specifics and needs, and follows a unique development path. No state can fully copy the experience of another country, no matter how positive it may have proven to be. Instead, positive elements of such experience can be borrowed that are found to be the most relevant and useful. As it enters the new millennium, every country should have clear economic objectives and a clear understanding of the principles, priorities, resources and mechanisms of economic development.

The Republic of Belarus has opted for a socially oriented market economy as its long term development model. The guiding principles of such an economy include constitutional guarantees of personal rights and

liberties, freedom for private initiative, free choice of profession and employer, equality of all ownership types, protection of ownership rights in the interest of the individual and society, a link between the employee's standard of living and his performance on the job, support for the unemployed and other vulnerable groups of society and social partnership between the state, trade unions and employer associations.

On the one hand, a socially oriented market economy can maintain and protect the social gains of the people, and on the other, increase the efficiency of the economic system and its responsiveness to scientific and technological advancement. In its policies aimed at creating the environment for a market economy, the state should pursue a number of important social objectives, such as improving popular living standards, maintaining high employment rates and protecting the natural environment. Its ability to do so depends on:

- Monitoring of socio-economic indicators, including the state of the environment;
- Effective moderation of economic problems;
- Promotion of economic and social development.

As it enters a new century, Belarus is just beginning to transform its economy, build a socially oriented market system and move towards a post-industrial society. In doing so, it needs to make effective use of the achievements of the Socialist past. Success cannot be achieved through complete destruction of the old system. Instead, a gradual transformation and reconstruction are required, guided by a clear long-term programme.

BOX 1.1

Sustainable socio-economic development reflecting local conditions and international experience - a strategic choice for Belarus

The 21st century will require a completely new paradigm of progress and a rethinking of our past experience and knowledge. Without this, we will not be able to answer the basic question: what type of state and society would we like to build in Belarus?

The overall direction of social advancement should fall within the mainstream of global civilisation. Due consideration should also be given to our historical roots and the unique culture and mentality of the Belarusian people. Life has made us understand that the world can not be shaped by a single approach applied generally and indiscriminately to all countries and peoples. Development stems mostly from a broad variety of social, economic and cultural traditions, all of which supplement each other and constitute a common civilisational background. Historical experience also shows that Belarus must follow its own path, thereby contributing to the diversity of the modern world and claiming a place within it.

Belarus has opted in favour of sustainable development. We are moving towards the shared ideals of human rights, democracy and a liberal economy, which reflect the wishes of many nations. In doing so, we are not rejecting our past values, but building on them to shape our lives in the modern world.

Achievement of those goals depends on the effort to build a well-developed civil society, which is a complex institution and has many facets to it. But in essence, this will have to be a Belarusian civil society, which functions within a national context and builds - to a reasonable degree - on the experience of other countries. This will not be a civil society of a Western or Eastern type, but a society that meets the needs of Belarus.

The ultimate goal of this transition will be to improve the lives of Belarusians.

A socially oriented market economy is an important prerequisite to achieving this objective. A socially oriented economy can only function within a social state - a system in which the state uses its power to guide the economy so it can address the key social issues defined by the government. These important aspects of a mixed national economy and its role in a socially oriented policy should be the subject of continued research and debate.

Mikhail Myasnikovich

Doctor of Sciences (Economics)

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The long-term goals, objectives and priorities of socio-economic development have been set in accordance with the law "On State Planning and Socio-Economic Development Programmes" and the "Key Objectives of Socio-Economic Development up until 2010", enacted by the Council of Ministers in April 2000. Any socio-economic development strategy for the 21st century should consider the special situation of Belarus as a small open-type economy, domestic growth factors and the effects of globalisation, a process that leads to increasing interdependence of individual countries, emergence of global markets of capital, investments, labour, goods and services, unlimited flow of information, deepening European integration and growth of multinational companies and industrial finance groups.

Globalisation is a catalyst of technological advancement. By becoming a part of multinational companies - particularly European, Russian or CIS-based, Belarusian companies could join this process and bring in investments and resources needed for development and modernisation.

However, in order to occupy a decent position in the world, Belarus should combine the best achievements of the global civilisation with its historical, spiritual and cultural traditions.

The economic, geographic and geopolitical location of Belarus are factors that are conducive to its development. Belarus has a well developed transport infrastructure, skilled and abundant work force, and good scientific and industrial potential. Modernisation could significantly increase the competitiveness of Belarusian products and promote the growth of high-tech industries.

In the CIS, Belarus occupies 0.9% of territory and accounts for 3-6% of the population, but produces 26.1% of mineral fertilisers, 53-7% of chemical fibres and threads, 33.8% of metal cutting machines, 6.7% of trucks, 58.7% of tractors, 27.4% of footwear, 52.3% of televisions, 33.4% of refrigerators and freezers, 11.4% of fabric, 13-3% of potatoes, 7.7% of milk and meat and 6.7% of eggs.

According to the latest data, Belarus occupies the 57th place in the world by its human development index, ranking considerably above other CIS countries, such as

BOX 1.2

Market changes in Belarus - myths and reality

"The human factor" is the key to overcoming the crisis, as suggested by the research conducted in recent years by the Institute of Sociology of the Belarus Academy of Sciences. The messages delivered to the public in the beginning of the transition towards a market economy emphasised the need for a conducive environment and proper incentives for productive and well-paid employment. A lot was said about the importance of effective social support, aid for the poor, compensation of income losses and employment promotion. It was hoped that by engaging market-driven mechanisms, popular living standards could be substantially improved.

However, in the process of market transformations people's needs were neglected, and they were left face to face with an unusual and hostile social environment without any support. As a result, a major rethinking of the market reforms took place, and many myths surrounding reforms in post-socialist societies were dispelled.

A "quantum leap towards the market" has never been a popular idea, and few would support it today. A series of opinion polls suggest that from 1990 to 1998 the number of people who favour a rapid transition towards the market had dropped by one-half - from 30% to 15%. More than 40% of the poll respondents in 1998 supported a long but socially balanced transition to the market.

The minds of most Belarusians are still being dominated by the values and orientations of the past. Opinion polls have revealed that many Belarusians consider socialism to be the most preferable social system (41% in 1996 and 42% in 1998). The number of the poll participants who preferred capitalism was 17% in 1996 and 23% in 1998. These figures indicate that Belarusians do not identify the market with capitalism: in 1998, 49% supported the transition towards the market and only 23% to capitalism. It is obvious that many Belarusians do not clearly understand the goals of the reforms. It is also clear that the people are unwilling to let go of the social benefits of the past system and the socialist values.

Therefore, the transition towards a liberal system should not imply a complete rejection of the past, and in particular the social benefits associated with it. Such a transition should be guided by the true national interest and should not reject the achievements of the past generations. The primary task of the ruling elite still remains the same - to propose ways of integrating Belarus in the world economy in a manner that would benefit both parties. Such integration would imply a critical review of the global experience and should not lead to indiscriminate copying of all practices and approaches, even though they may have worked well for other countries.

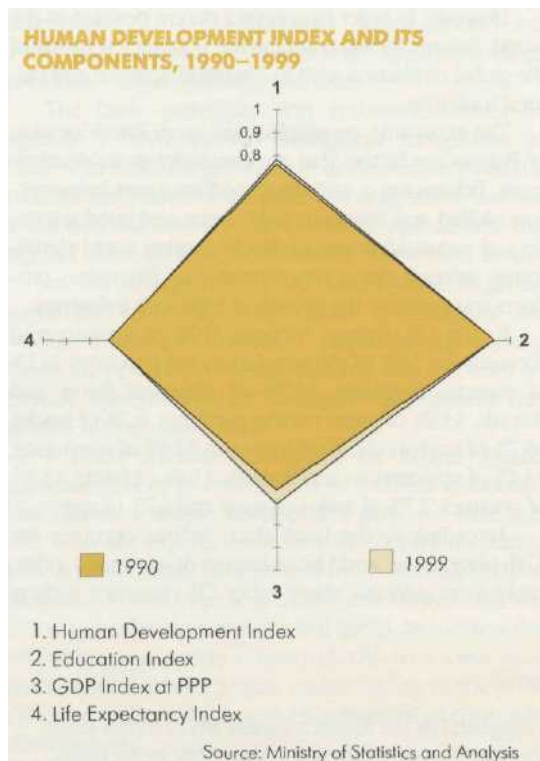
The key measure of success in this process is not meeting the demands of the world's leading economies but the degree to which it promotes economic development, protects the Belarusian citizens and their culture and reflects the ideas of justice, of right and wrong that are shared by the majority of Belarusians. It is only in this way that the well-being of the whole society can be achieved and the rights and liberties of the human being be best protected.

V. Buschik,

Candidate of Sciences (Philosophy),
Acting Director of the Institute of Sociology,
Belarus Academy of Sciences

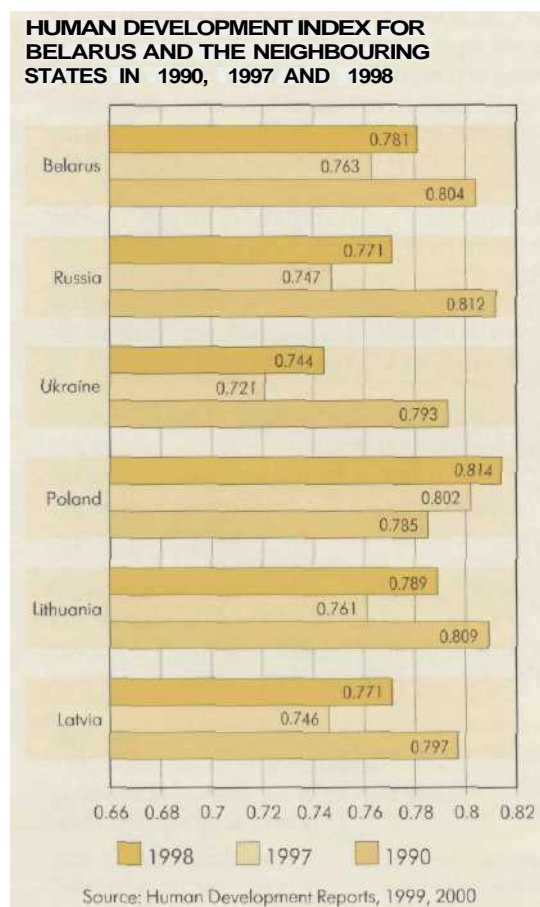
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FIGURE 1.1



Russia (62nd), Kazakhstan (73th) and Ukraine (78th). Recently, however, it may be trailing behind some of its neighbours.

FIGURE 1.2



Belarus' inclusion in the international division of labour depends on a number of internal factors, including a well-developed scientific, technological and industrial capacity, educated population, adequate number of tertiary degree holders in technical sciences and humanities, and access to external sources of information, capital and resources.

Although all of these factors are present in Belarus, it is important to make good use of them in order to protect the national interests and strengthen the nation's position in the global economy by building on its competitive advantages, (fig. 1.1, fig. 1.2).

Integration in the global economy is an important prerequisite to successful transformation of the Belarusian economy and further development of its human potential.

Improving public health and popular living standards are important strategic objectives of the nation's socio-economic development. Progress in those areas depends on balanced and sustainable economic growth and an environment which enables advancement in all aspects of human activity.

Achievement of those goals is also contingent on faster economic growth and improvements in key economic indicators. There is a need to modernise the manufacturing industry by introducing new equipment and technologies, bringing them to new level of advancement. Adequate economic, social and institutional frameworks are also of crucial importance, particularly for increasing popular living standards, reducing income disparities, boosting savings and consumer demand, and creating a favourable living environment.

The transition to a post-industrial society demands a completely new approach to defining the role of the individual in scientific, technological, social and economic progress. The new vision of social progress puts people in the centre. The benefit of the people is seen as an end, and economic growth as a means to this end. Today, social policies should focus on meeting people's needs.

This is proving difficult, however. The structure of consumption is deteriorating, and there are major gaps between various segments of the population in the way their material and cultural needs are being met. Low-income groups - such as pensioners, the disabled, students and families with many children - are at a particular disadvantage, having little beyond the bare necessities.

Unlike industrialised countries, the average household in Belarus spends a much higher percentage of its income on food, and a lower percentage on household and durable goods and a still lower percentage on services. The share of expenditures on food declined from 1995 to 1998, but rose significantly in 1999, reaching 59.5% of total consumer spending. The share of food expenditures also varies depending on household type. Food expenditures average 55.5% of total consumer expenditures for families with dependent children and 74.7% for pensioners.

Non-food commodities are the second biggest item of expenditures for Belarusian households. In 1999, it represented 27.9% of total consumer spending, up from 23.4% in 1995. In 1999, the prices of consumer goods grew twice as fast as the cost of utilities. As a result, farmi-

lies were paying just 2% on public utilities in 1999, as opposed to 3.6% in 1998.

Expenditures on culture, education, recreation and sport are negligible (just 2.2% of all expenditures), as are expenditures on health care (1.9%). However, expenditures of the wealthiest 20% on education, recreation and sport are five times, and health care 3-5 times as high as those of the poorest 20%.

As higher living standards are a top priority for the state and society, efforts will be made to increase consumption of goods and services in the long term. The share of food expenditures should gradually decline, and households will be spending more on household and durable goods, as well as services.

In a new society, cultural and spiritual advancement and growth in all aspects of human activity will be of primary importance. This can only be achieved by adopting a new system of moral and social values.

In the long-term perspective, efforts should be directed at creating a community of well educated people who could become leaders in economic, scientific and cultural advancement. Young people - especially students - can play a crucial role in this process, as they are in the best position to acquire the knowledge and develop the culture needed to achieve progress in all aspects of human activity.

Proper access to housing is essential, as housing is a key element of the social infrastructure and a major factor that affects fertility and reproduction. Housing conditions also have implications for the hierarchy of other human needs and priorities and define the lifestyles and consumer behaviour patterns of every household.

Continuous growth of labour productivity is central to sustainable human development. The individual should feel increasingly responsible for the results of his work. State policies in this area should therefore be guided by the need to create an environment that would enable every citizen to provide for himself and his family.

The transition to a socially oriented economy requires a complete remodelling of the economic system. Priority should be given to the development of the social network and increasing the share of consumer goods and services in the GDP. Social policies should lead to stabilisation and continuous improvement of popular living standards. They should also correct the demographic si-

tuation, promote productive employment and foster the development of social services.

Despite social and economic difficulties, Belarus has the resources to overcome its problems and start moving towards sustainable human development as early as the beginning of the 21st century.

A decade of transformation and choice of the nation's socio-economic development path

For Belarus, transition to the market economy required difficult decisions, institutional adjustments and the ability to respond to developments in the global markets, which are affected by globalisation and the rapid growth of information technologies. The heritage of the former USSR, however, was not conducive for such a transition. Belarus has had to deal with the severe aftermath of the Chernobyl nuclear accident, and was left with a large number of chemical factories, a distorted market structure, and inefficient industries that required large amounts of energy and raw materials. There was also a shortage of qualified personnel, and particularly of managerial staff capable of working within the market system. The lack of a properly trained managerial elite that could assume leadership in institutional reforms and promote IT development affected the evolution of the Belarusian socio-economic model from 1991 to 2000. According to data from EBRD and OECD, Belarus accounts for 3.4% of the combined GDP of the newly independent states, and 3.44% of their total population.

Irreversible changes have taken place in the economic environment, geopolitical situation and resource distribution patterns within the region. Globalisation, deepening division of labour and emergence of new markets have posed new challenges for the country. The history of the Belarusian economy in the last ten years falls roughly into two stages. The first stage, that lasted from 1991 to 1994, was dominated by declining GDP, macroeconomic chaos, hyperinflation, large budget deficits, loss of control over economic developments and attempts to combine new market mechanisms with the old institutions. The main attributes of the second stage (1994 to 1999) included attempts to boost consumer demand by inflationary means, a de-facto abolition of private property

BOX 1.3

Projections for the next five-year period

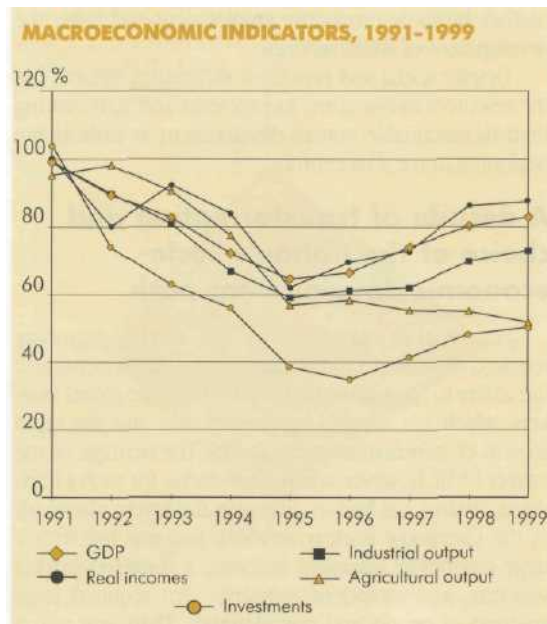
Realisation of the Sustainable Development Concept and Programme for the Period 2001-2005 should lead to stabilisation, sustainable economic growth, and, ultimately, to improvements in popular living standards. Gross domestic product is expected to increase 1.24-1.33 times, industrial output 1.24-1.33 times, agricultural output 1.2-1.3 times, and production of services 1.4-1.5 times. The GDP structure will also improve. The share of the manufacturing sector will equal 31-32%, agricultural sector 9-9.8%, construction 6-6.3%, and the share of the services sector will jump to 37-37.5%. Labour productivity will rise by 28-36%. Consumption of raw materials per unit of production will decline by 4-5% and consumption of energy per unit of GDP will fall by 15-20%. Translating these plans into reality may not make us a prosperous society, but will give us the capability to develop on a sustainable basis, by taking loans and attracting investments where necessary.

Sergei Tkachev,
Deputy Minister of Economy

"A Vision For the Next Five Year Period"

"Natsionalnaya Ekonomicheskaya Gazeta» Newspaper. Issue 26, 2000, page 4

FIGURE 1.3



and depiction of technological, financial and investment resources.

The first stage was a period of intense redistribution of capital, facilitated by inflation, massive consumer import from the West - and was accompanied by falling real incomes and popular living standards. This period was marked by unrealistic expectations of rapid improvements.

In the second stage, the testing of Keynesian methods was attempted in a post-Soviet context, deprived of essential market and legal institutions. Discrimination against private business became widespread and a new economic class emerged - a class of people whose main income was derived from the extensive subsidy system that had been created. In the second stage, resources were channelled into massive exports to Russia and, in the early nineties, into imports from third countries through Russia without paying required taxes and duties to the Belarusian budget. The end of the first stage and the beginning of the second was the only period of relative financial stability and positive interest rates.

In Belarus, the first surrogate money appeared in May 1992, when Soviet roubles were still in circulation. By the end of that year, this money already represented 80% of all cash. The non-cash Belarusian rouble was introduced in July 1992. There were no limitations to demand for cheap credit. Instead of stabilising the local currency and launching macroeconomic reforms, the government had preferred to implement a soft transition within the old institutional framework. It was not until October 1994 that a final decision was made to legalise the Belarusian rouble as the national currency. At that stage, inflation was running at 30% per month. From 1990 to 1993, the amount of money in circulation had increased 103 times, and consumer prices 861 times. Lack of control over finances at that time made it possible to address the problems of the government sector and budget at the expense of everyone whose inflationary losses were not being compensated by subsidies from the budget.

The ongoing changes in GDP structure suggest that Belarus is not an exception to the global rule. The share of the industrial and agricultural sector is falling, and the proportion of services is rising. In Belarus, the latter is still around 40%, whereas in other transitional economies of Central and Eastern Europe, services account for 60% of GDP. In Belarus, agricultural output represents little over 11% of GDP, and accounts for 11% of budgetary expenditures, while rural population is 30% (fig. 1.3).

In 1999, the European Bank for Reconstruction and Development (EBRD) published a regular report on transitional countries, which ranks them according to the progress of reforms in various subsectors of their economics. Of 27 countries, Belarus was put in the 26th place, ahead of Turkmenistan, whose per capita national income did not exceed \$400.

Trends in industrial output

Boosting employment in large enterprises was not just an economic priority for Belarus under Soviet rule, but also a part of its ideology. In 1990, the industrial sector employed 1.6 million. During the post-war years, Belarus became an urbanised society. As of January 2000, 70% of Belarusians were living in cities. Such changes would have been positive if they had been based on accurate economic projections, free choice of producers and consumers, and regional division of labour.

When the political smoke cleared, Belarus discovered that its industrial policies had to be reviewed and new objectives defined for the short and long-term perspective. Production fall was inevitable. It may have been tempting to maintain the old Soviet-time economic ties, but it was also becoming increasingly dangerous to do so.

At the beginning of the 1990s, the manufacturing sector produced 97.9% of all industrial output and the mining industry 2.1%. At the first stage of the transition, rapid production decline began, and the financial situation of most enterprises was deteriorating rapidly. By 1994-1995, the deepest decline had occurred in the fuel industry, dependent on oil imports, as well as the electric power, textile and construction industries. Targeted support for a few priority enterprises became a widespread practice. Main beneficiaries included the Minsk Automotive Factory, Minsk Tractor Factory, Belarus Metallurgy Plant, conversion industries, television manufacturers and the petrochemical industry. In our opinion, such policies were ineffective as they did not address the root causes of the crisis.

Continued depreciation of production capital funds confirms that the Belarusian industry has not succeeded in finding solutions to a number of critical issues.

In industry, capital funds depreciation had increased from 50% in 1992 to 76% in 1997. Even the government acknowledges this problem, pointing to a decline in exports, serious financial difficulties in many enterprises and a significant proportion of barter in product sales. The main factors that impede the development of industry include:

- an artificially strong rouble, leading to understatement of production costs and overstatement of profit;
- existence of price ceilings;
- mandatory sale of hard currency revenues;

- a hostile taxation system;
- unpredictable legislation, and its retroactive application.

Such policies have led to a certain degree of self-isolation in foreign trade. This is not the product of high tariff and non-tariff barriers imposed by the West: the effect of those barriers should not be disregarded, but they apply equally to all countries, not just Belarus. The true reason is that European consumers consider the products of other countries to be of higher quality or better priced than Belarusian goods. In the past decade, Belarusian industrialists have failed to give enough promotion to their trademarks and have not made them easily recognizable and marketable throughout the world.

Of all loss making companies at the end of 1999, 57.9% were government owned, and 42.1% privately or corporately owned. However, the ability of the state to restrict private ownership by legal and administrative means makes the distinction between public and private companies extremely blurry. From 1991 to 1996, the proportion of loss making companies had increased from 5.3% to 18.4%. At the end of 2000, 20% of all surveyed companies were operating at a loss.

Investment policy

Although capital investments increased in absolute terms in 1997 and 1998, they represented only 59% of the 1990 level at the end of 1998. From 1989 to 1998, GDP had declined by a total of 36.9%, which was less than the fall of investments. In 1999, investments dropped 5.4% below 1998, considered to be a relatively successful year. From 1990 to 1999, investments in the radio industry dropped nearly 40 times, electronics 35 times, tractor and agricultural engineering 2.5 times, automobile manufacturing 2.4 times. In agriculture, investments had declined 8 times and in science more than ten times. Relative to total investments in industry, the share of mechanical engineering had declined from 40.4% in 1990 to 18% in 1999, and light industry from 7.5 to 3%.

Over the same time period, investments in the power generation sector had tripled and in the fuel sector doubled. Investments in the oil processing industry increased by almost seven times. Contrary to statements about supporting agriculture and construction, the share of investments in those sectors reduced from 30% to 6% and 3.1% to 1%, respectively.

Transport, on the other hand, which is not even listed among the designated "growth points" had doubled its share of investments to almost 12%. Development of science and technology has been declared a top priority

for Belarus. However, investments in high-tech and research intensive industries in 1999 were 6 to 30 times below the 1990 level.

In the government's view, investment policies should strengthen the food security of Belarus, accelerate housing construction and increase the country's exporting capacity. Achievement of these goals, however, does not necessarily imply macroeconomic stabilisation, liberalisation of the markets, equal treatment of companies of different ownership types or unequivocal protection of private property. The private investor in Belarus has no effective legal mechanisms to protect himself.

The reasons named by government experts include multiple exchange rates, soft fiscal policies towards individual enterprises in the agricultural sector and construction, high percentage of loss making and low-profit enterprises, rising circular debt and ever increasing funding for the social sector.

Absence of a secondary stock market and lack of professional financial brokers is also having a negative effect on the investment climate. The total cost of all securities issued in Belarus does not exceed \$35 million at the market exchange rate. By contrast, the capitalisation of the stock market in 1999 exceeded \$13 billion in Hungary, 822 billion in Poland and \$12 billion in the Czech Republic. In Belarus, the number of certified stock brokers decreased from 286 in 1997 to 190 in 1999.

Advancement of the private sector

According to official statistics, the private sector already accounted for 22% of all output in 1990 (in 1990 roubles). By 1999, the share of the private sector had exceeded 40%. The policy of selective privatisation was supposed to enable a soft transition for the manufacturing sector. This policy however, put a heavy burden on the majority of enterprises. Although barred from making independent production, marketing and finance decisions, they were obliged to meet tough production targets, regardless of the state of production equipment or access to supplies and resources. The failure of privatisation, including small scale privatisation, has exerted a high economic cost on the country. According to estimates by Merrill Lynch, delayed privatisation in Poland and the Czech Republic decreased property value by 35-60%. As the former Warsaw Pact countries had a different production and market structure and their industries were better equipped, the losses incurred by the Belarusian manufacturing sector as a result of slow privatisation may have been much higher.

According to official statistics, the private sector in 1991 employed 1.5 million, or 29.2% of the total work

Direct foreign investments						
	1993	1994	1995	1996	1997	1998
Direct foreign investments, millions of US \$	18	11	7	70	190	50
Total for 1993-1998				346		
Direct foreign investments per capita, 1993-1998, US \$				34		

TABLE 1.1

TABLE 1.2

Progress of privatisation, 1991–1999								
	1991–1993	1994	1995	1996	1997	1998	1999	Total for 1991–1999
Number of enterprises changing ownership, including:	495	641	465	527	573	807	915	4423
• Objects of central government property	191	184	53	137	191	140	238	1134
• Objects of communal property	304	457	412	390	382	667	677	3289

force. By 1999, employment outside the public sector had increased to 45%. In the beginning, the private sector was represented mainly by cooperative and leased companies, joint ventures and sole traders. Employment in small business began to increase steadily in 1992, reaching 15% of total employment in 1999 (up from 4.4% in 1991). Relative to total private sector revenues, the revenues of small business have doubled in the last three years, reaching 20%. However, despite the existence of enterprise support centres, business incubators and science parks, the private sector has not taken a leading position in the Belarusian consumer market.

From 1991 to September 1999, 1000 objects owned by the central government underwent property reform, which represents 22.6% of 4423 property projects that were to be privatised under the 1994 privatisation plan (tbl. 1.2). As the list of objects to be privatised is being modified continuously, the plan's degree of completion may be even lower. As many as 531 enterprises have been transformed into joint stock companies. Of these 531, the state holds a majority stake of more than 50% in 274.155 properly objects were purchased by leaseholders, employees or private individuals, and 121 enterprises have been auctioned.

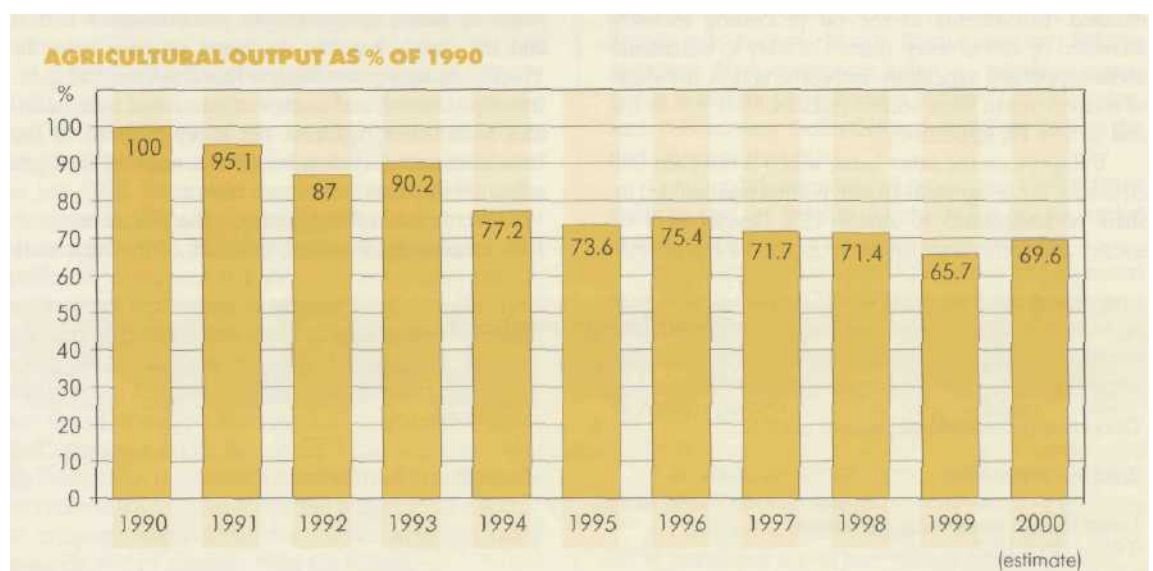
Over the same time period, 2975 objects of communal property were privatised, of which 41% were auctioned. Communal property is easier to sell, and this process requires considerably less red tape than large scale privatisation. But small-scale privatisation is also not complete, even though it has been implemented for over

ten years. The 1994 plan called for privatisation of 4114 objects of communal property. The government of Belarus still has little faith in privately owned trade, catering, services and utilities - no more than in privately owned industries. In Belarus, working in the private sector almost automatically means isolation from cheap state resources, more stringent fiscal requirements and considerably higher fines and penalties. Such attitudes equally discourage reforms in loss making and profitable companies and may explain the slowdown in privatisation that occurred in the late 1990s. Even incorporation has its specifics. Under the present circumstances, leaving 50% of the company's shares under state control is extremely sensible. This not only increases the company's chances of survival in the short term, but also provides a good base for full privatisation in the future.

In the early 1990s, companies were privatised almost exclusively for cash, mostly at the proposal of employees. Had this approach been maintained and extended to industry, agriculture, trade and services, Belarus would now have resembled Poland, rather than Ukraine and some provinces of Russia. Some legislation enacted in 1993 opened the door to institutional changes. This legislation made it possible to pay 50% of the cost of privatised property with cash and the remaining 50% with privatisation cheques. Small-scale enterprises in communal ownership were to be sold at auctions and competitions, and large enterprises transformed into joint stock companies.

As expected, large-scale privatisation for property cheques did not result in effective and responsible

FIGURE 1.4



ownership of enterprises. Of 425.3 million cheques issued to the public by 2000, only 45% have been exchanged for shares. Little over 40% of eligible citizens have used their shares. Only 52% of the privatisation cheques' nominal value is covered by state property available for privatisation.

Agricultural policies

At the beginning of the 1990s, a crisis in agriculture was inevitable. Relative to total expenditures, public spending on agriculture decreased from 23% in 1990 to 5.2% in 1994. Fixed assets were depreciating rapidly, and there was no money for fertilisers and pesticides.

Meat exports relative to production decreased from 33.7% in 1990 to 11.7% in 1992. In the first four years of reforms, Belarus went back 25 years by per capita meat and milk output. Consumption of meat had declined 30% and fish and seafood by nearly 55%. From 1991 to 1994, agricultural output was falling by an average of 6.25% per

year (fig. 1.4). Grain crop had dropped by nearly 16%, cattle weight gain by 30% and pig weight gain 26%. Production of milk per cow in the public sector had declined by 18% (table 1.3).

Falling agricultural output is a sign of great structural imbalances, and a crisis in consumer demand. It signals the need to review current production, processing, packaging, and delivery practices, as well as the settlements and debt repayment mechanisms.

The most widespread methods of government involvement in the agricultural sector include price controls, trade restrictions, centralised distribution of credit and obligation of agricultural producers to sell produce to the state.

Direct and indirect subsidies to agriculture average \$250 to \$300 million per year. From 1990 to 1999, the agricultural sector had received a total of \$2.5 to \$3 billion dollars in subsidies, but institutional transformations have not even started.

TABLE 1.3

Agricultural output by product type in public and private sector farms, 1990–1999, thousands of tonnes					
	1990	1995	1998	1999	1999 as % of 1990
Cereals	7035	5502	4831	3645	52
Flax fiber	52	60	36	21	40
Sugar beet	1479	1172	1428	1186	80
Potatoes	8590	9504	7574	7491	87
Vegetables	749	1031	1201	1303	174
Livestock and poultry population as of January 1, thousands					
	1991	1995	1999	2000 (estimate)	2000 as % of 1991
Cattle	2362	2180	1946	1885	80
Swine	5051	4005	3698	3562	71
Poultry (millions)	50.6	33.5	30.4	24.9	49
Crop yield by product type, 100 kg per hectare					
	1990	1995	1998	1999	1999 as % of 1990
Grains and cereals	26,6	20,4	18,3	14,5	54
Potatoes	135	131	109	113	84
Vegetables	178	133	129	130	73
Output of meat and eggs in commercial farms, 1990–1999, thousands of tonnes					
	1990	1995	1998	1999	1999 as % of 1990
Poultry (live weight)	1498	748	731	700	47
Milk	5622	3053	3169	2800	50
Eggs (millions)	2224	1968	2178	2108	95
Cattle and poultry productivity 1990–1999					
	1990	1995	1998	1999	1999 as % of 1990
Milk production per cow (kg)	3220	2150	2486	2232	69
Egg production per chicken	258	227	241	216	84
Wool production per sheep (kg)	2.3	1.9	1.2	1.1	48

In 2000, private farms produced five times as many vegetables and five times as many potatoes as public sector farms. In addition, they had a higher crop yield and considerably lower costs than in the public sector.

The state continues to dominate the construction market and generates most of the supply and demand, even though of 4000 construction companies nearly 3200 are in the private sector. As in other sectors, state construction companies are almost automatically entitled to cheap credit, lucrative contracts and timely payments. Of private sector construction companies, two thirds are small firms with up to 50 employees. Nearly 65% of all construction works, including capital construction, are performed by private sector companies. Public sector firms are 2.5 times ahead of their private sector competitors by the cost of repair works performed. Such differences may be attributed to the fact that the construction is a high-rent paying sector in Belarus. Materials contribute two-thirds of all construction costs, and payroll just 20%.

The total cost of building works completed in Belarus every year varies from \$500 to \$850 million, depending on the exchange rate applied. The estimated cost of contract works varies between \$700 million and \$1.2 billion per annum. After ten years of reform, the country has still not created an institutional system to encourage savings and financial discipline. There are no mortgaging or market-driven housing loan schemes. High quality building materials still have to be imported. The industry still remains highly dependent on imports, which is a serious constraint in a situation of multiple exchange rates and currency shortages.

Development of construction in the first five years of independence highlighted the depth of structural and institutional imbalances in the core sectors of the economy. There was no money to build large animal farms. Unable to give work to existing industrial premises, companies were placing no orders for new construction. From 1991 to 1995, the volume of contract works dropped threefold, and output of building materials 2.5 times. In 1997-1999, the government's attempts to apply Keynesian methods to boost demand generated growth in those sectors.

The amount of new housing completed in 1999 was 1.9 times as high as in 1995, but 45% below the 1990 level (6282 and 2951 thousand square metres, respectively). It should be noted that 40% of all housing was built under contracts with independent developers, 22% with housing cooperatives and 20% with the state.

The Belarusian construction industry still uses disproportionate amounts of materials and metal - 30 to 50% more than in Poland. A twofold reduction in the export of building materials in 1999 was only to be expected. Depreciation of fixed assets has reached 75%, and 45% of all equipment is being used beyond the normal period of service. Construction of new generation housing using resource efficient technologies has not been scheduled until 2000.

Trade policy

The trade sector is being managed by a variety of tools, such as taxes, customs duties, nontariff limitations,

interest rate policies (including multiple exchange rates), and widespread administrative restrictions.

From 1991 to 1995, major changes occurred in the nature and intensity of trade flows. The inflow of foreign investment and money transfers had started. Barter did not exceed 10% of all settlements. The devaluation of the rouble, soft monetary policies and a virtual absence of budgetary restrictions served to promote exports, particularly in sectors that were using domestic materials and supplies. But the positive effect of devaluation soon diminished. Producers did not succeed in using it to their advantage, making exports more difficult in the medium-term.

The Rubicon was crossed in 1996, when a net outflow of capital began, mainly due to increased external debt payments. Ninety per cent of all gas and 100% of all electricity supplied to Belarus in 1997 were paid for by barter, in the absence of working mechanisms to pay for those supplies in cash. The core sectors of the Belarusian economy are not prepared to reject barter, and this is putting the nation's economic security at risk.

Relations with Russia are of particular importance to the Belarusian economy. The customs union, which should have resulted in a common foreign trade legislation for Russia and Belarus, has left many problems unresolved and has not been fully implemented. As a result, the present customs policies do not fully respond to the needs of Belarusian producers. Export growth has not increased foreign currency revenues. The financial crisis in Russia has negatively affected trade and industrial policies in Belarus. The government, however, has made no effort to diversify foreign trade. In 1999, Russia accounted for 38% of Belarus' export of ferrous metals, 50% of synthetic threads, 91% of car tires, 54% of tractors, 98% of televisions and 72% of refrigerators.

Russia supplied 100% of oil, 100% of gas, 80% of electricity and 86% of all ferrous metals imported by Belarus. In the meantime, the prices of these commodities in Russia are gradually increasing to global levels. As this process is expected to take up to five years to complete, Belarus still has a very limited amount of time to reconsider its trade policy or risk losing its traditional markets to Ukraine and Russia.

Belarus is not making proper use of its geographical position. The cost of services exported by Belarus in 1999 was slightly under \$760 million, or 13% of total exports, down 20% from the 1998 level. The import of services totalled \$442 million, or 6.6% of all imports. Nearly 70% of all service exports are to non-CIS countries. Transport accounts for nearly one-half of all services exported. There is a steady surplus in the export of construction services, which presents an economic opportunity that still remains largely unused. The share of the tourism industry is extremely low (1.7% of all service exports).

Trade and public catering industries employ 270,000. Retail turnover in the private sector is three times as high as in the public sector. However, the state continues to maintain intrusive control over prices and trade mark-ups. Stores are required to have a certain percentage of Belarusian goods and maintain a minimum inventory of goods to be available on the shelves at all times. In addition, there is a stringent product certification system. All

Social indicators, 1990–1999					
	1990	1995	1998	1999	1999 as % of 1990
Average monthly salary (1000 roubles)	0.27	755	8000	25000	—
Average monthly salary in US\$ equivalent	68 (black market rate: 1USD = 4 Soviet Roubles)	65	35	35	21
Average pension size in US\$ equivalent	28	34	11	23	82
Minimum consumer budget in US\$ equivalent	31	61	29	31	100
Minimum subsistence level in US\$ equivalent	20	37	9	20	100
% of population with income below the minimum consumer budget	5	80	75	83	1660
% of population with incomes below the subsistence minimum	—	38	33	55	550 (relative to 1991)

these restrictions impede the growth of private trade by increasing its operating costs. Over the last ten years, retail sales have increased 25 to 30% for virtually all types of basic goods. Relative to all sales, the share of food items increased by ten per cent, reaching 55% of all retail sales. However, the sales of meat have already declined by 15%, milk 45%, bread 35% and potatoes 52%. By contrast, the sales of alcoholic beverages have increased by 55%. Over the last decade, the sales of televisions have risen by 43% and watches 60%. Refrigerator sales have increased insignificantly.

Personal incomes and expenditures

In 1990, the size of the population at employment age was 5.2 million out of a total population of 10.2 million. There were 2.4 million pensioners, indicating a high degree of Belarus' popularity among those willing to spend their old age in a quiet and relatively well-to-do place. There were 2.2 workers per pensioner, which was already one of the worst ratios in Europe. The situation has deteriorated greatly over the last decade. The population is now little over 10 million. The number of employed has declined to 4.3 million, whereas the number of pensioners has reached 2.7 million. This has put a heavy strain on the state pension system, in which 158 workers are having to provide for 100 pensioners. In the past ten years, the total population has declined by 2%, and the number of employed by 18, while the number of pensioners has increased by 13%.

The changes in pension size over the last decade have been quite remarkable. Measured in US dollars (despite difficulties that such an estimate involves - mainly because of multiple exchange rates), pension size has declined by 18%. Relative to 1995 - the most successful year in the last decade - pension size has dropped 30%. Over the same time period, the average monthly wage has decreased by 45%. At the end of 1999, the average old age pension was equivalent to SI5, and the minimum pension to 185, or 12.5 times less than in neighbouring Lithuania. The share of the poor in rural areas is 15-20% higher

than in cities, and the amount of resources needed to raise the living standards of the poor to the subsistence minimum is \$180-250 million, or 10% of all personal incomes (table. 1.4).

In 1990, the incomes of Belarusians in PPP US dollars were among the highest in the former USSR. The structure of personal incomes may be indicative of the nature of developments in the economy. A high share of incomes deriving from entrepreneurial activity and the stock market suggests high advancement of the market reforms. A high proportion of wages, benefits and sales of produce grown in private gardens is a sign of a virtual absence of market elements in the economy.

The same applies to personal expenditures. If households tend to spend most of their money on food and consumer goods, and very little on housing, utilities, education and medical care, this may be a sign of gross price imbalances. With time, those imbalances will level out, and the country will move towards a standard market-type price system with small regional variations. Most production costs are already contributed outside Belarus, so a transition to world prices is inevitable. Belarus is not taking advantage of the transition period, when cheap Russian fuel and energy could enable a less painful reform of the core industries and give the population time to prepare for a new structure of expenditures. The existing structure of incomes and expenditures confirms that meaningful institutional reforms have not yet started (table. 1.5).

Consumer trends in rural and urban areas are not very different. In cities, wages represent 75% of personal incomes, and in rural areas 50%. Villagers rely on an additional ten per cent of revenue from the sale of produce grown in private gardens. The rural population also receives twice as much as the urban population in government subsidies.

Personal savings policies are an important component of economic reforms. Belarus is entering the new century with a very small ratio of savings to incomes. This impedes investments, growth of new industries, job ere-

TABLE 1.5

Household incomes and expenditures, 1990–1999, %				
	1990	1995	1998	1999
Incomes:				
• Salary and revenue from entrepreneurial activities	73	68	69	69
• Sales of agricultural produce	2	25	21	20
• Pensions, stipends, allowances, etc.	16	2.5	2.6	2.9
• Use of property	—	0.5	2.3	2
• Other	9	4.5	6	6
Expenditures:				
• Food	72	57	58	56
• Non-food items	18	21	27	26
• Services	8	11	12	13
• Taxes	—	0,3	1,4	1.6
Consumer expenditures:				
• Bread	10	12	12	12
• Meat	18	17	16	17
• Milk	7	10	7	8
• Alcoholic beverages	2	3	4	4
• Clothing, footwear, linen	11	10	12	13
• Health care	—	2	2	2
• Transport and communications	2	4	7	8
• Education, culture and sport	1	2	2	2
• Public utilities	3	5	4	5

ation and income generation. Over the last ten years, consumer prices have grown ten times faster than personal incomes. From 1991 to 1999, consumer prices were increasing ten times faster than personal savings.

The course of the socio-economic reform suggests a need to review the goals, objectives and mechanisms of the economic policy. Belarus has yet to build effective market institutions, which should determine the directions of social advancement in the new century.

At the threshold of a new century, the savings of Belarusians represent a meagre 2% of their incomes. This impedes investments, growth of new industries, job creation and income generation. Over the last ten years, consumer prices have grown ten times faster than personal incomes.

Government and civil society - a case for dialogue and mutual responsibility

Expanding opportunities for personal development and increasing people's political, economic and intellectual choices are important prerequisites to human development. These objectives, however, can not be achieved without an advanced civil society, consolidated democracy and rule of law.

A civil society is a self-regulating system that is based on relationships among members of the community or associations and individuals who act as free and equal partners, independent of each other and the state. A civil society is a buffer between the individual and the state, a medium in which the multiple needs of the individual are met and a means to securing the goals and interests of the community.

During totalitarian Soviet rule, the civil society was completely subordinated by the state. Releasing the society from state domination is therefore an important priority of any post-totalitarian transformation. Totalitarianism has left behind it a poorly structured society. In order to promote the growth of civil society institutions, state policies should aim to create a conducive legal, economic and political environment.

In Belarus, the progress of the civil society has been different from most other post-Soviet countries. For a number of reasons, the old Soviet system had not exhausted its resources by the mid-1980s, and still had some potential to develop. At the time when the Gorbachev Perestroika began, the Belarusian society was not ripe for reforms. Here, demoralisation and reforms were not a spontaneous process, but one imposed from outside, mainly from Russia.

Origin of the middle class

The middle class is known to be the foundation of any civil society. It acts as a factor of social and political stability and public accord, adds dynamism and weight to relations within society and is a necessary condition of progress within the state and society. The middle class is a complex notion. Its existence depends on a large number of conditions, such as ownership of property, adequate income levels, consumer preferences, education and mentality.

The growth of the middle class depends on the progress of market reforms, and particularly on privatisation. An important part of the middle class are businessmen, farmers and most private sector employees. There are 1,380,000 people who fit this definition, representing 36.6% of the workforce. However, most private sector

enterprises are private only on paper, as the state has still kept its administrative and controlling powers over them. Only 500,000 are employed in the real private sector. An opinion poll conducted early in 2000 by the Independent Institute of Social and Political Studies (IISEPS) suggests that the number of people who wish to work in the private sector is far greater. As many as 40% of those polled indicated that they would like to work for a private employer, up from 30% in the previous year. There is also widespread unregistered entrepreneurial activity, such as shuttle and street trading and renting of flats to tenants.

Other social groups that could potentially join the middle class include civil servants, managers, intellectuals and technicians, as well as tertiary and upper-secondary degree holders. Together, they number 36% of the total population and 50% of the work force. Skilled labourers, such as miners, are also likely members of the middle class.

Ownership of property is also an important attribute of the middle class. In Belarus, land ownership is restricted to small private garden plots. There are 1,937,000 people who own land plots for private gardening and housing construction. Of this number, 638,700 used their land as private orchards or dachas, and another 288,600 as private gardens. There are 2681 private commercial farms. The law does not permit ownership of those farms - just permanent use by the private farmer.

Houses and flats are owned by 73.5% of Belarusian households. Two per cent own personal computers, 20% own cars, and 19% VCRs. Fifty per cent of households have tape recorders, 56% vacuum cleaners, 71% washing machines, 89% colour televisions and 98% refrigerators. However, the fledgling Belarusian middle class still remains a very heterogeneous and unstable group. This situation has been caused by the collapse of the old social system, deepening of the crisis and the obvious difficulties of the transition process.

The state is pursuing a policy to increase its domination of the private sector by creating new administrative and legal barriers for private business. The legal environment for private enterprise is unstable, and there is no equal treatment of public and private companies. The state is exercising excessive control over the private sector. For example, the government is making commercial banks subsidise housing construction and agriculture, and controls prices in the private sector.

Businessmen are required to obtain licences in an increasing number of sectors, which now exceeds several dozen. For example, special permission is required to produce cinema and video materials, establish professional training and upgrading courses, disseminate legal information and receive and distribute humanitarian aid. It is no longer sufficient to notify the authorities in order to register and open a business, it is now required to obtain the authorities' permission to do so.

Economic entities have been reregistered twice in the last five years (in 1996 and 1999-2000), and the procedure to establish a new business is becoming more and more complex. After the first round of re-registration in 1996, the number of private sector companies dropped by 30%. Overall, the number of private sector businesses reduced from 213,000 in 1995 to 71,500 in 1999, accord-

ing to data from the Ministry of Entrepreneurship and Investments. From 1998 to 1999, the number of private sector employees had declined by 17,000. A recent survey of businessmen and employers, conducted by the Belarus Union of Businessmen and Employers suggests that the private sector will shrink by a further 30% as a result of the ongoing re-registration. Thirty-five per cent of the poll participants indicated that they were reluctant to expand production and 39% felt too insecure to create new jobs.

The current trends in the economic system perpetuate dependence, paternalism, low initiative, intolerance to competition, envy for the rich, and other negative tendencies. The formation of the middle class is thus a controversial process. On the one hand, the break-up of the Communist system has expanded access to property, enabled the growth of new professions and created new opportunities to diversify incomes and develop new social values. On the other, the relatively unstructured and homogeneous social structure, inherited from Soviet rule, is evolving into a highly stratified system, in which property and income levels are becoming the main factors of social division.

There are several other social phenomena that can be attributed to Soviet heritage. First, the upper class is not growing. Opinion polls and statistical data suggest that only 2% of Belarusians can be considered as upper class. In order to qualify as affluent, a European household needs to spend less than 30% of its incomes on food. Only 2.1% of Belarusian households can fit this definition.

Erosion of the middle class is another alarming trend. The middle class is shrinking, whereas the lower classes are increasing in number. Ironically, it is the people who would normally constitute the bulk of the middle class who have joined the lower class. Nearly all intellectuals whose wages are paid from the state budget - including teachers, doctors, university professors and researchers - have had to bear the worst consequences of the economic crisis. Most cannot afford to buy a house or dacha or a new car. Their wages are not enough to be able to go to health resorts, pay for the education of their children and other attributes of the middle class lifestyle. In addition, more than two thirds of all household equipment owned by Belarusians was purchased before 1991. Seventy per cent of all private passenger vehicles were produced before 1987.

It is clear that most people have additional incomes to supplement their salaries. Many are growing food in their private gardens. A recent household survey indicated that 83% of Belarusian households are growing potatoes, and the additional income derived from private gardening represents 18% of an average household's total income.

The present socio-economic model has divided society into a very small number of the very rich, and the very poor, who constitute the overwhelming majority of the population. This divide carries a potential for social conflict.

Under these circumstances, the middle class cannot become a stabilising factor and a buffer between various opposing forces, chiefly because it is small and powerless. Because of the crisis and economic and legal instability,

members of the middle class are living in constant fear of unemployment or bankruptcy. Due to lack of income stability, many are not investing in their business, but spending money on private consumption. The feeling of neglect, insecurity and vulnerability to an all-powerful state is not conducive to the growth of a Western-type middle class. Instead, in the words of S. Lipsett, it creates a class of 'frustrated owners', which not only fails to become a stabilising factor in a democracy, but may even contribute to its collapse. This situation of continued instability is thus having a long-term impact on society.

Growth of civil society institutions

A civil society is not a spontaneous gathering of individuals who are acting separately from one another, but a voluntary association of those individuals who act together to form independent organisations. These organisations provide channels of communication and interaction between the state and the public and include NGOs, political parties, religious associations and various informal pressure groups.

The present Constitution entitles citizens to freedom of association. There are limitations for judges, procurators, police and state security officers, and military servicemen, who cannot be members of political parties or public associations pursuing political objectives. Separate laws govern the work of nongovernmental organisations, political parties, trade unions and religious associations.

The work of NGOs is governed by the law «On Public Associations», enacted on October 4, 1994 and amended in January 1995 and December 1999. The law has introduced a complex regulatory framework for NGOs, which results in extended periods of NGO registration (up to six months) and widespread intervention of the registering authorities (the Ministry of Justice or Justice Departments of the local Soviets) in the registration process. Bylaws and regulatory documents in this area tend to be even more restrictive than the law, often leading to tensions between NGOs and government authorities. International, national and local-level NGOs may legally operate in Belarus under the present law. NGOs may legally be involved in commercial activity, but neither NGOs nor donors to NGOs are entitled to any significant tax reductions. There is also no mechanism for NGOs to have an impact on government policies and decisions.

The transition from totalitarian to civil society has two stages. At the initial stage, the old totalitarian structures (e.g. the Communist Party or the Young Communist League) collapse, employee collectives cease to play a political and ideological role, and rapid social disintegration occurs. At the second stage, society reintegrates on a new basis, as a community of free individuals, who form new organisations with voluntary membership.

Belarus has not yet completed the first stage in this transition, in effect, there has been no disintegration. The majority of the population are members of state-controlled employee collectives which have been slightly modified but continue to play a political role. Employee collectives are entitled by law to nominate candidates in elections, and they are using this right extensively. A network of vertically controlled labour collectives makes society consolidated, homogenous and easily controlled.

Only a small number of socially active members of society have separated from the old structures and are just beginning to reorganise themselves.

The collapse of Communist rule was followed by a relatively fast growth of NGOs. By 1994, the number of nongovernmental organisations had reached 784. However, the enactment of a new law on public associations was followed by the re-registration of NGOs. As a result, the number of NGOs declined, but soon recovered, reaching 2502 in the beginning of 1999. At this stage, a new re-registration began, which was passed by just 1,326 NGOs. By the beginning of June 2000, their number had grown to 1,877. According to «United Way», an organisation that monitors the third sector in Belarus, the breakdown of NGOs by area of activity was as follows:

- human rights and liberties - 159;
- consumer rights - 74;
- public education and information - 339;
- associations of military servicemen, veterans of the army and police force - 91;
- associations of disabled people - 91;
- charitable organisations - 279;
- public administration, local self-rule - 86;
- women's associations - 45;
- culture and arts - 258; science - 171;
- children's and youth associations - 200;
- national minorities - 93;
- professional associations - 241;
- social support and rehabilitation - 365;
- sport, recreation and tourism - 383;
- hobbies, special interest groups - 130;
- Chernobyl relief - 91;
- environmental protection - 76;
- economy and private enterprise - 65;
- health and health care - 176;
- resource centres - 11;
- other sectors - 203.

There are 1033 NGOs in Minsk, 248 in Gomel Oblast, 224 in Vitebsk Oblast, 188 in Mogilev Oblast, 158 in Brest Oblast, 132 in Grodno Oblast and 96 in Minsk Oblast (excluding Minsk).

The Belarusian third sector is undergoing an active process of reorganisation and restructuring. If successful, this process should result in better coordination and increase the impact of NGOs on the Belarusian society. This development takes different shapes and pursues the following objectives:

- opening resource centres to provide information, technical and advisory support for interested NGOs. One example of such a resource centre is the public association «United Way».
- Creating organisations to coordinate NGO activities in different areas, such as the Belarus Association of Chernobyl Relief NGOs «Arl 26th».
- Establishing informal coordination bodies to guide NGO activities in the region, or entrusting the functions of such a body to an existing organisation, such as the Grodno Regional Public Association «Ratusha»;
- Creating umbrella organisations to promote and maintain information exchange within a relatively stable group of NGOs, such as the Belarus National Youth Council;

- Creating organisations to provide a particular service to NGOs, (e.g. the Independent Association of Legal Research, providing legal assistance to the third sector), or to serve a particular type of NGOs (e.g. the Belarus Union of Social Educators and Social Workers, assisting social NGOs).

NGOs publish 243 periodicals, of which 48% are based in Minsk. In the provinces, the largest number of NGO periodicals (13%) is published in Grodno Oblast, and the smallest in Minsk Oblast (2% - excluding Minsk).

The Belarus Federation of Trade Unions is the largest NGO in Belarus. Its membership totals 4,378,400 and represents 54.2% of the population aged 14 and above. 91 to 99.5% of public sector employees are members of the Federation. This organisation has been inherited from the Communist system and has kept nearly all of its attributes, including pressure to join the unions and membership of employers and managers of government owned enterprises in the same organisation. As these managers effectively represent the employer, they are often in control of most of the Federation's grassroots organisations.

Belarus also has independent unions acting under the umbrella of the Belarus Congress of Independent Trade Unions. Their total membership exceeds 10,000.

Growth of the political party system

As the country began to move towards democracy and the Communist Party gave up its monopoly for power, new political parties began to emerge. In 1989, the Belarusian Popular Front was created. The evolution of the political party system went in several stages.

The first stage lasted from 1990 to 1991, which were the last years of the Soviet Union. At that time, political parties were being formed around ideas. Those parties were not promoting the interests of any particular social groups, as no such groups had yet emerged. Instead, they united proponents of a particular idea. The Belarus Popular Front was the advocate of national revival, and the United Democratic Party represented the liberal idea. The Belarus Christian Democratic Union promoted Christian Democracy. The Belarus Social Democratic Alliance supported social democracy and the Belarus Communist Party the Communist idea.

When the market reforms began in 1992-93, distinct social groups began to emerge with their own political preferences and agendas. Senior civil servants and managers also began to create their own parties. The parties that emerged as a result were similar to lobby groups. Those were the parties of pragmatists who pursued clear goals and objectives, to whom ideology was unimportant. Some examples of such parties include the Party of National Accord, which united the reformist part of civil servants, the United Agrarian Democratic Party, created by directors of collective and state farms, and the Belarus Science and Industry Congress, a party of industrialists.

There was an explosive growth of political parties during the presidential and parliamentary elections in 1994 and 1995. Twenty-nine parties participated in the parliamentary elections in May 1995, and as many as 34 parties in the run-off elections in November and December of 1995. Members of those parties represented more than one-half of the 13th Parliament. There were

three environmental, three Christian, three republican, two national and two sports parties. The development of the Belarusian party system increasingly resembled the growth of European parties.

From November 1995 to present, the conditions for political parties have deteriorated greatly. Recent constitutional changes have pushed most parties into political isolation, turning many into hard-line opponents of the regime.

More than ten parties have been closed by the courts as lacking signs of any political activity. There are just 18 officially recognised parties at present. Of these 18, only a handful of parties have local grassroots organisations and are politically active. The number of those working parties includes the Belarus Popular Front, the United Civil Party, the Belarus Social Democratic Party «Popular Alliance», the Belarus Communist Party, the Communist Party of Belarus, and the Liberal Democratic Party. Most of those parties are small, poorly organised, unprofessional and politically weak. In addition, they do not enjoy any significant public support.

Why is the Belarusian political party system so vulnerable? In fact, the situation is typical of any post-totalitarian state. There is still no civil society, and the state continues to be in control of all aspects of social life. There are almost no elements of self-organisation, and a multi-party system has practically no base within a society, which still remains unstructured and homogenous. Decisions are not guided by economic and political interest, which may or may not be clear to the majority of the population, but are based on deeply rooted ideological stereotypes, as well as emotional and psychological reactions.

This trend is confirmed by the changes that have taken place recently in the role of political parties in election campaigns. During the May round of the 1995 parliamentary elections, 54% of all candidates had been nominated by political parties and only 20% by the labour collectives. During the run-off parliamentary elections in November and December 1995, the proportion of party candidates increased to 65%.

On the eve of the 1999 local elections, the Advisory and Monitoring Group of OSCE condemned the local election law as undemocratic. One of its main criticisms was directed against the additional obstacles created by the law for political parties and activist groups wishing to nominate candidates. Nongovernmental organisations were stripped of this right altogether. Of 17543 members of local and precinct election commissions, 12600 had been nominated by labour collectives, and only 81 by political parties. Only 4.8% of candidates in those elections were representing political parties, while labour collectives had nominated 71%.

Of 769 candidates at elections to the House of Representatives this autumn, 309 represented political parties, and 126 labour collectives.

Government and civil society

Civil society institutions are not created by a government order. They appear spontaneously, as a result of partnership among independent citizens, pursuing different objectives. Post totalitarian countries, however, are

different because of the critical role played by the state in fostering the growth of the civil society. In an unstructured society, interest groups could only be created by consistent and systematic government policies.

In Belarus, however, the state has not become a partner for the civil society. The Belarusian social system is based on an indisputable right of the state to control every aspect of social development. Any structure that cannot easily be controlled by the state (such as private enterprise), and any civil society institution claiming an independent role within the system, are met by the state with extreme caution. The state sees them as undesirable competition in addressing social issues.

As state and quasi-state institutions are increasing their political role, the political and social role of third sector institutions that have emerged in the course of reforms is being restricted.

The tightening of the registration and re-registration procedures in 1999 affected a large number of NGOs, trade unions and political parties. Earlier, NGOs could choose whether to register or not. The new rules have made registration mandatory and introduced sanctions for operating without it.

Interaction between the government and society is ensured by functional, not political representation. Policy decisions are made by the executive power and a narrow circle of corporate pressure groups. Those pressure groups, however, do not represent the interests of any particular sectors, segments or groups within society but rather act as agents to implement government policies within those sectors, segments or groups.

There are 145 television and radio stations and just one nation-wide television and radio channel. Regional television and radio broadcasters, of which 16 operate within a national broadcasting network, transmit most of this channel's programming, contributing some of their own. The first national radio channel captures 50% of daytime audience. The rest are shared between Radio BA (16%), the Youth Channel (12%), Radio Rocks (7.4%) and other stations. However, no television or radio station with the exception of government-owned ones, provides a forum to discuss local events.

The development of local self-rule has encountered serious problems. Section 5 of the 1996 constitution is devoted specifically to local government and self-rule. An amended law on local administration and self-rule was enacted in December 1999. The key institutions of local self rule are the local Soviets. They have the exclusive authority to adopt local social and economic development programmes, approve local budgets, introduce local taxes and dispose of communal property. However, the authority of the local Soviets is shrinking, and their financial dependence on the local executive committees is increasing. Regional Soviets have only three and district Soviets just two permanent employees, and their power of control over the local executive committees is very limited.

The collapse of the administrative command system has led to a deep crisis that has affected the entire state and society. A strong civil society, acting as an open, self-regulating system and a factor of social stability, is an important prerequisite to overcoming this crisis. The

origin of such a society depends on a number of economic, social, political, ideological and psychological factors. The combined action of those factors could steer this process in the right direction.

The obstacles to civil society, such as weak national consciousness, an underdeveloped private sector, absence of the middle class and inadequate mentality of the people - are compounded by the current policies of the state. The essential elements of the market economy - including free pricing, a market driven exchange rate, a functioning stock market and competition - are not being introduced. In the political system, the critical attributes of democratic governance - such as democratic self-rule, a functioning parliament, local Soviets and NGOs - are taking too long to grow. The development of the civil society will therefore be a much more difficult process than in most other post-totalitarian states in Europe. The elements of the civil society that are now coming into being affect only a tiny section of the society, mostly the elite. But such an elitist system is a necessary stage in the transition to a real civil society.

The 21st century - new challenges for Belarus

The turn of the century is a complex period for humanity. It is marked by radical changes in the global economic and social environment, which are accompanied by significant shifts in the global balance of power and struggles for dominance. These revolutionary developments in the global economy are comparable in size and impact with the process that began in Western Europe 800 years ago, when the first stones were laid in the foundation of the market economy. The emergence of the market was conducive for the centralisation of power, formation of nation states and long-term economic growth. According to Western experts, the evolution of mankind over the next 50 years will be dominated by the forces of integration, leading to progressive regionalisation and globalisation. Countries left out of this process will remain on the sidelines of history and will be excluded from the new industrial, post-market civilisation. *Globalisation*, therefore, is the first and greatest challenge of the 21st century.

Throughout the 20th century, and particularly during its last decades, global industrial output has increased substantially. The down side of this growth is wasteful use of natural resources and a high burden on the natural environment, including the atmosphere, hydrosphere, lithosphere and the biosphere. As a result, humanity has been faced with the immediate threat of destroying its natural environment and undermining the resources for its evolution and reproduction, already strained by the abnormal condition of the living environment. *The increased anthropogenic burden on the living environment* is another challenge. A proper response to this challenge is a matter of life and death for civilisation.

Output growth, particularly in industrial countries that already produce the lion's share of the global GDP, increases the need of those countries for natural resources, particularly fuel (notably, oil and gas). The biggest part of those resources are found in developing countries

and various regions of the former USSR. As a result, *we are witnessing an intensifying global struggle for resources*, which represents the third challenge of the coming century.

And lastly, the rapid economic development of the industrialised North, which has already adopted, or is in the process of transition, to a fifth-generation technological system, widens the income gap between rich and poor nations, and leaves the predominantly agricultural South increasingly behind the industrialised North. In 1997, 20% of the world's richest people controlled 86% of global GDP and the poorest 20% just 1% of the global GDP. Not only do many of the world's developing nations have a lower per capita income than industrialised countries - they also have slower economic growth. Rapid increase in population size in the developing world deepens global poverty and inhibits economic growth in those countries and regions. Economic growth slowed down considerably in the developing world during the 1980s. In 1990, the developing world registered a 0.2% decline in real per capita incomes, which continued to fall in sub-sequent years. Although 40% of developing countries succeeded in raising per capita income growth rates above 3% per annum, per capita incomes decreased in five developing countries, mostly in Sub-Saharan Africa, the former Soviet Union and Eastern Europe.

If the present trend continues, *tensions between the industrial North and agricultural South will rise still further, potentially creating an insurmountable social gap between those two camps*. This represents the fourth challenge of the 21st century.

Although these problems may seem to be far apart from each other, they are in fact closely connected. They are an attribute of global development and its main trends. It is therefore extremely important to not only recognise these challenges, but also to respond, or at least be prepared to respond to them.

Globalisation - a breakthrough to a post-market system; internal conflicts of this system

Globalisation as a universal trend is the product of evolution within the market system. In general, *globalisation is a process that makes individual national economies a part of a universal market system and infrastructure*. The movement towards such a system is supported by developments in the international division of labour, as well as political and economic relations, and growing dependence of national economies on each other. In the long run, globalisation will erode the national sovereignty of the states that have long been major players in the international arena, and results in a single global economic system and structure. However, the nature, mechanisms and impact of this transition arc not clear, and are being debated in the West, or in this part of the world.

Globalisation first affects the areas such as finance and information technologies. These are the sectors that are most likely to transgress national boundaries and provide a platform for the growth of a global economy of the future. Infrastructure, and particularly telecommunications, are the fastest privatising sectors in both industrial and developing countries. They are also the most attractive areas for private investment.

By contrast, political and social sciences regard globalisation as a process that leads to the emergence of a homogenous global community, living by universal laws and upholding universal values which have their roots in Western Europe and have been most fully applied and implemented in the United States.

At first glance, the expanding human contacts may be giving rise to common values and a shared global commitment to human development. In reality, however, it is the Western values that are providing this common ground. There is a risk that culture may be sacrificed to commerce, and social interests, values and traditions may be neglected. The Russian academician Dmitri Likhachev warned in the early 1990s that the cultures that are being supported by the economically advanced states may overwhelm the cultures of smaller nations. The risk of this happening is further increased by the fact that proliferation of cultural products is increasingly being done using modern communication technologies, most common in industrialised nations or multinational corporations.

One should also note that the Western world has no common approach to globalisation. Instead, there are at least three distinct concepts. The first is fully based on the American model, the second on the European approach, which reflects the diversity of the European continent, and the third on the Japanese approach.

The American and European approaches have certain differences. American-style liberalism is opposed to social orientation of the economy, or the European social model. Deregulation in the United States is in contrast with restricted competition in the European Union. The role of government regulation is also viewed differently. These variations reflect differences in the traditions, socio-political environment and mentality on both sides of the Atlantic.

Internationalisation of economy. Globalisation is a gradual and time consuming process, that, in the experts' view, will take at least 50 years to complete. The road to globalisation lies through internationalisation, and starts with regionalisation. The process of internationalisation, which ultimately leads to globalisation, translates into:

- growth of global trade;
- internationalisation of companies and strengthening of multinational corporations;
- regionalisation of countries with similar economic development levels.

Although the growth of global trade has slowed down somewhat relative to global output levels, it should still be acknowledged that the pace of internationalisation continues to exceed global production growth. This discrepancy, however, is not as straightforward as it may appear.

In the late 1990s, OECD countries, with 19% of the world's population, accounted for 71% of all global trade, 56% of direct foreign investments and had 91% of all of the world's internet users.

Multinational corporations are a leading factor of globalisation. The growth of multinational corporations in the beginning of this century is attributed to the internationalisation of capital, a process that began in the late 19th century.

In the late 19th century and the first decades of the 20th century, multinational companies were in fact multilateral in terms of capital. They incorporated companies from different countries, which retained their ownership and independence.

Such companies were operating at the pre- and post-production stages. The agreements that guided their work were intended to facilitate their access to supplies and markets. Today's multinational corporations are different from the multinational companies of the past in that they have internationalised production.

Capital export pursued the goal of maximising return on investment and was done mainly in the form of portfolio investment. Today, the main form of capital export is direct foreign investment, leading to greater control over the recipient of such investment. Other forms of capital export include cross-licensing, joint ventures, partnership in research and development and other types of contractual arrangements not related to direct foreign investment. It is no longer one single corporation, but a whole group of companies that operate within the corporate structure, which enables them to maintain their market position, exercise control over domestic and foreign markets and increase product competitiveness.

The emergence of multinational corporations and groups of corporations was influenced by a number of factors, such as the desire to maintain and expand control over large markets in other countries and the drive to minimise commercial risks by internationalising production. In addition, multinational firms found it easier to maximise profits through application of transfer prices and other mechanisms.

The growth of electronic and computer technologies increased manageability of multinational commercial alliances still further. Proliferation of electronics and computers expanded the market for services and technologies. In addition to conventional transport, banking, tourist and other services, new services became available in areas such as telecommunications, information technologies and construction. International trade in services is growing three times as fast as global goods trade. The biggest provider of services is the industrial world, but in some sectors developing countries are also taking the lead.

As an element of a new industrial system within a globalised economy, internationalisation increased its pace in the 1980s. It was spurred by finance and banking on a national level.

By contrast, low-cost and labour-intensive industries migrate to developing countries, including Central and Eastern Europe. Because industrial countries are having to export the products of such industries more often than before, they are increasingly seeking to make them cheaper by eliminating trade barriers, increasing competition among developing countries, and ultimately, reducing their production costs. As a result, developing countries have to cope with an increasing trade deficit and worsening debt problems. They also suffer from a widening income gap between the industrial and developing world.

Regionatisation of the economy can be seen as an attempt by some countries to adjust to global competition

and prepare themselves for globalisation. This process does not affect all countries equally, but brings a limited number of countries with similar levels of economic development into regional blocs. Free trade principles are applied within the bloc, and protectionist policies are implemented toward third countries, as a means of preparing the necessary economic and technological structure for functioning within a globalised market system and in conditions of free global competition.

Depending on the degree of organisational and economic partnership within them, regional blocks can be of several types, each representing different levels of integration - a free trade zone, a customs union, a common market and an economic union.

Environmental protection - a global economic problem

The evolution of human society and the environment is entering a new stage - the stage of co-evolution. Throughout its history, humankind has been developing at the expense of the natural environment - the lithosphere, hydrosphere, atmosphere and the biosphere. People have not only exploited the natural environment, but have also been creating an unnatural quasi-environment for their daily existence and development. This process has been particularly fast in the 20th century, straining the natural environment and nature's resources to the limit.

Nature has almost exhausted its ability to meet humanity's need for resources and absorb the impact of its activity. The burden on nature has reached global dimensions, and may have an irreversible negative effect on it. Massive releases of carbon dioxide into the atmosphere have already led to global warming and depleted the ozone layer. Tropical rain forests, <the lungs of the planet*, are being destroyed at an alarming rate.

At the dawn of the new century and millennium, the relationship between the human society and nature has reached a critical stage, mainly due to increased economic activity. The damage done to the environment by human activity is already greater than nature could realistically absorb, but there is still a chance that this damage could be reversed and the state of equilibrium between nature and human society be restored. However, if the already critical anthropogenic burden on the environment continues to grow, people may face a demographic catastrophe and even complete extinction as a biological species.

There are still major disparities in economic development between the suppliers and users of resources, potentially leading to regional conflicts and international tensions.

The demand for natural resources is increasing from year to year. The amount of natural resources extracted world-wide per every man, woman and child increased from seven tonnes in 3900 to 27 tonnes in 1980, and is expected to reach 48 tonnes by the end of 2000. Throughout its history, people have extracted 200 billion tonnes of coal, 100 billion tonnes of oil, 50 billion tonnes of iron ore, two billion tonnes of bauxite, 300 million tonnes of copper ore and over 100,000 tonnes of gold. 50-85% of those minerals, except gold, have been extrac-

ted in the last 30 years. Only 10% of those minerals went into the finished product, and the remaining 90% were discarded as waste. Much of this waste continues to be a major factor of environmental pollution.

The rapid increase in the use of natural resources has been caused by changes that have taken place over the last 100 years. Since 1890, the earth's population has more than tripled, output of goods and services has increased 20 times and industrial output 50 times. The demand for natural resources has risen accordingly (30 times for fuel alone).

The global economic order, established by the industrial world, perpetuates inequalities in wage levels. It depresses the price of mineral resources, fuel, industrial equipment, as well as food and consumer goods produced and exported by developing countries. In 1987, the UN Commission for Environment and Development published a report called "Our Common Future", which suggested the need for a new development model for human civilisation. The notion of sustainable development, coined by the report, became a popular term in the media. Sustainable development was understood as the type of development model that meets the needs of the present generation without jeopardising the prospects for the generations to come.

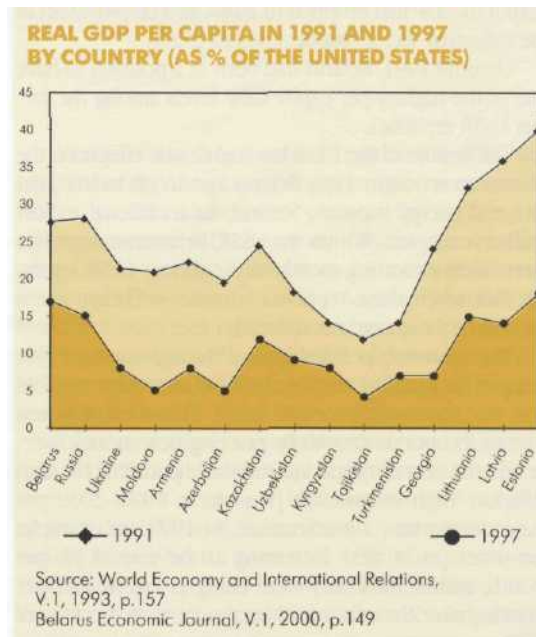
But this notion poses a new challenge to the third world and transitional countries in Central and Eastern Europe, as well as the former USSR republics. Restrictions on economic growth within the current global system would certainly perpetuate the global inequality in economic development and popular living standards. Furthermore, in order to raise third world living standards to the level of the industrialised world, production would have to rise. This would increase the demand for natural resources and, consequently, environmental pollution would grow. This is exactly the reason why the existing world order should be reviewed if the sustainable development concept were ever to be implemented. The present world order is inadequate, because it preserves inequality, unfair trade, financial instability and obstacles to the transfer of technologies from industrial to developing countries.

Global socio-economic challenges and Belarus: development as a primary goal

As a process that affects all aspects of human life, globalisation has its positive and negative effects. It makes the world a smaller place and erases borders, enabling people in the most remote corners of our planet to enjoy the benefits of civilisation and creating great opportunities for progress. On the other hand, global development - and globalisation - are also a source of inequality, imbalances, stagnation and degradation in certain parts of the world. In financial markets, globalisation also carries the threat of global financial instability.

Poor understanding of global socio-economic development trends tempts some governments into trying to oppose globalisation by closing their economies - fully or partially - to the outside world. Such an approach puts the people of those countries on the sidelines of global development. Many more countries, however, are also finding it impossible to compete with others on equal terms.

FIGURE 1.5



A mainstream approach to creating a world order that would treat different countries in a more equitable and fair way, is to build a new model of global regulation and make it an integral part of international relations. It should be borne in mind that regulation does not mean control, and does not call for a world government. Regulation should consist of institutions, norms and rules that would set limits of acceptable behaviour for organisations, companies and states. In a way, such regulation would resemble Roman law. Recognition of this overriding need by nations, governmental and non-governmental organisations of all countries would bring tremendous changes to the world, reduce global inequities, imbalances and bridge the broad socio-economic divide that exists world-wide.

Concerns about the injustice of the existing world order and the potentially negative affects of globalisation on Belarus, have encouraged the search for a new policy for making Belarus a part of the global civilisation. This policy called for greater government involvement in the economy, a high proportion of government property, especially in agriculture, where it is the least efficient, and equitable distribution of incomes and resources. These were the three basic principles on which the entire economic and social policy was based in the 1990s.

Up until 1991, Belarus had been in a privileged position relative to other USSR republics. It had:

- a well-developed industry, which had been modernised almost completely under Soviet rule;
- a highly skilled work force, and a large number of scientists and technicians.

Belarus' GDP structure made it one of the most industrialised economies in the world. In 1991, industrial output represented 40.3% of GDP, and 31.2% of the work force were employed in the industrial sector. In subsequent years, these proportions changed, and GDP structure was affected to a certain degree. However, these changes were not radical. By 1999, the ratio of industrial

output to GDP had dropped to 29.6% and employment in the industrial sector had declined to 27.6%.

Up until 1991, Belarus had been in a position to have one of the highest per capita GDP levels among the former USSR republics.

The demise of the USSR has had drastic effects on the Belarusian economy. First, Belarus lost access to low-cost fuel and energy supplies. Second, its traditional export markets collapsed. Within the USSR, Belarusian manufacturers were exporting mostly to the former USSR republics. But when these republics became sovereign states, the size of those markets reduced.

The economic policies applied throughout the 1990s stopped production decline in 1997, but kept the old post-war economic structure intact. The attempt to encourage economic growth by printing new money overheated the economy and increased the potential for high inflation. High inflationary pressure in 1998-2000 put the economy into a predicament. In 1998, for example, consumer prices were increasing at the rate of 9% per month, and in 1999 they were rising as fast as 11% per month, faster than in any other country of the former USSR.

These policies admittedly slowed down the decline in the ratio of GDP per capita in Belarus and the United States. In 1991, real GDP per capita in Belarus was 27.6% of the appropriate US figure in 1991, and just 17% in 1997. The lag of other ex-USSR countries behind the United States has been greater than that of Belarus (fig. 1.5).

It should also be acknowledged that the overheating of the economy in 1997 has had a negative effect on economic

development in subsequent years. From 1997 to 1999, GDP growth was slowing down (from 11% in 1997 relative to 1996, to 8% in 1998, relative to 1997, to 3% in 1999 relative to 1998).

At present, Belarus is facing an immediate threat of major stagnation. Although many of the ex-USSR republics - especially Russia and the Baltic states - are still in decline, they are in the process of reforming their inefficient economic structures. Reform is not considered as an end in itself, but as a means of creating an economic structure that would be able to provide a potential for development in the 21st century.

There is no doubt that any reform should maintain the existing potential and protect it from thoughtless destruction, as this could prevent a further decline in the living standards. However, any policy that aims to do so at any cost and puts these objectives above everything else may ultimately inhibit growth at some point in the future.

Rapid development of Belarus' closest neighbours - Poland, Latvia, Lithuania, Estonia, Slovakia and the Czech Republic - is posing the biggest challenge for Belarus today. The progress of reforms in Russia, a country with which Belarus would like to integrate, adds to its dilemma. The Russian economic reform plan, entitled «Development Strategy of the Russian Federation up until 2010», spells out a new vision of Russia's future. This vision is very different from the one that guides the current attempts to reform the Belarusian economy. Only Belarus can decide how it should respond to this, and a multitude of other socio-economic challenges of the new century.

Demographic changes and quality of life

In order to preserve and develop the human potential in Belarus, demographic changes should be carefully monitored and analysed. Life expectancy at birth is an important indicator. It not only reflects the living standards in the country, but is closely linked to predominant behaviour trends related to human development. Life expectancy has been falling throughout the 1990s. In 1999 alone, it declined by 0.5 years to 67.9 years (62.2 years for men and 73.9 years for women). Its is particularly low (59.9 years) among men in rural areas, where the average man does not live to the age of retirement. From 1990 to 1999, mean life expectancy declined by 4.1 years among men and 1.7 years among women. Life expectancy for both sexes has fallen below the level of 1958-59, when it equalled 70.3 years (table 2.1). By contrast, average life expectancy for men and women was 76.4 and 82.9 years in Japan, 76.5 and 81.5 years in Sweden, 74.0 and 81.9 years in France, and 74.8 and 81.0 years in Canada. In Belarus, life expectancy for men is 12-14 years, and women 7-9 years less than in those countries, whereas in the 1960s it was almost level with Western Europe. The main reason for this difference is rising mortality.

142,000 deaths were recorded in 1999, up from 109,000 in 1990. The number of deaths rises by an average of 3,600 per year. Diseases of the circulation and respiratory organs, as well as tumours, accidents and injuries were the leading causes, accounting for over 80% of all recorded deaths (table 2.2).

Diseases of the circulation system are the most common cause of death. The incidence of such diseases has remained high over the last several years, despite having declined in the 1980s. From 1990 to 1999, the number of deaths caused by diseases of the circulatory system had risen by 35%. Tumours are the second most common cause of mortality, accounting for 14.1% of all deaths. Recent increases in mortality due to tumours may be attributed to the long-term effects of the Chernobyl nuclear accident. In 1999, 20,000 died because of tumours. Accidents, poisonings and injuries constitute the third most common cause of death. The number of such deaths has grown in both relative and absolute terms and reveals a serious social problem. In 1999, 17,100 died due to accidents, poisonings and injuries, up from 10,300 in 1990. Over the same time period, the proportion of such deaths had increased from 9.4% to 12.0%.

Nearly 25% of the increase in mortality in 1990 was contributed by the population at employment age. In 1999 alone, the number of people who died at the age of employment rose 6.4%. Belarusian law sets the standard period in the workforce at 44 years for men and 39 years for women. Due to high mortality, the actual period in the workforce decreases by four years among men and one year among women. The incidence of premature deaths in Western Europe, the United States and Japan is twice as low as in Belarus.

Infant mortality is an indicator that best reflects the state of public health and of the health care system. There were 11.5 infant deaths per 1000 births in 1999, slightly up from the 1998 level. Infant mortality rate had been in decline from 1996 to 1998, with 12.5 infant deaths per 1000 births in 1996, 12.4 in 1995 and 11.3 in 1998. More than one-half of all infant deaths are caused by prenatal problems in the period between 28 complete weeks of pregnancy and seven days after birth. Another leading cause is congenital anomalies, suggesting problems with the genetic health of the nation.

The rise in mortality is accompanied by deteriorating public health. Rising morbidity rates in all age groups, including children, may indicate the depth of the problem. From 1991 to 1999, the overall morbidity rate had increased by 40.5%. In 1999, the number of patients with diagnosed medical conditions was 78,960 per 100,000 population. There has been a sharp rise in the incidence of diseases of the urogenital, nervous and bone and muscular systems, psychiatric disorders, as well as diseases of the blood, blood generating organs, and organs of sense. There is a growing incidence of skin diseases and tumours. The rise in the frequency of infectious diseases is also extremely alarming. From 1990 to 1999, the incidence of active tuberculosis had increased 1.8 times, and syphilis almost 60 times. There has been an alarming increase in the number of AIDS/HIV cases. The number of HIV-infected grew from 14 in 1990 to 411 in 1999.

Alcoholism has reached unprecedented levels, as suggested by alcohol consumption data. From 1990 to 1999, alcohol sales, expressed in litres of pure alcohol per capita, had grown 1.7 times, reaching 9.9 litres in 1999. According to WHO criteria, alcohol consumption levels above eight litres per person per year are considered dangerous. More than 50% of Belarusian men smoke. There is also a growing number of women smokers. From 1995 to 1999, the proportion of women who smoke increased by more than one-third, from 3.6% to 4.8%. Women's repro-

	1958-1959	1968-1969	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total population	70.3	72.9	71.1	70.7	70.3	69.2	68.9	68.6	68.6	68.5	68.4	67.9
Men	66.2	68.5	66.3	65.5	64.9	63.8	63.5	62.9	63.0	62.9	62.7	62.2
Women	73.5	76.3	75.6	75.5	75.4	74.4	74.3	74.3	74.3	74.3	74.4	73.9

TABLE 2.1

TABLE 2.2

	Mortality by type, thousands							
	Total deaths				At employment age			
	1990	1997	1998	1999	1990	1997	1998	1999
Total deaths	109.6	136.7	137.3	142.0	24.4	31.3	31.1	33.1
o by cause of death:								
• tumours	17.7	19.6	19.7	20.0	5.5	5.2	5.1	5.2
• diseases of the circulation system	55.7	68.9	71.4	75.3	7.7	9.5	9.6	9.7
• diseases of the respiratory system	7.5	7.0	6.9	7.2	1.0	1.2	1.2	1.3
• diseases of the digestive system	2.3	2.8	2.8	2.9	0.7	1.1	1.1	1.3
• accidents, poisonings and injuries	10.3	15.8	16.9	17.1	7.6	11.4	12.1	12.4
including:								
• traffic accidents	2.8	2.1	2.3	2.1	2.1	1.6	1.7	1.6
• accidental alcohol poisonings	1.1	2.3	2.6	2.4	0.9	1.8	2.1	1.9
• drowning	0.7	1.1	1.2	1.6	0.5	0.8	0.9	1.2
• suicides	2.1	3.5	3.6	3.4	1.6	2.7	2.7	2.5
• murders	0.7	1.2	1.2	1.1	0.6	0.9	1.0	0.9
o other causes	16.1	22.6	19.6	19.6	1.9	2.9	3.0	3.2

ductive health is deteriorating, and morbidity rates are rising among pregnant women. This affects women's child-bearing ability and the health of their future children.

Rising morbidity among adolescents aged 15-17 is particularly alarming. Just 13-15% of all secondary school graduates are diagnosed as completely healthy, whereas 45 to 47% have functional disorders and 40% chronic diseases. In some cases, those diseases and disorders result in disability. The largest proportion of newly disabled people are already coming from younger age groups. The number of handicapped children aged under 16 registered with social welfare agencies grew 1.6 times from 1986 to 1990 and 2.7 times from 1990 to 1998, reaching a total of 26,400 in 1999. The above data suggests that in Belarus, rising morbidity rates are mostly affecting younger age groups, whereas in the West, the focus is on protecting the health of the elderly. The poor state of young people's health is a potential threat to the country's security.

Similar to mortality, population replacement is also affected by nativity. In 1999, there were 92,900 births, down 49,100 from the 1990 level. From 1990 to 1999, the fertility rate declined from 1.91 to 1.31 children per woman at childbearing age. Similar to Spain, Italy, Bulgaria and Latvia, Belarus ranks among countries with an extremely low fertility rate, far below the replacement level of 2.1 children per woman. Fertility rate is at 1.7 children per woman in England and France, 1.6 in Sweden, 1.3 in Germany and 1.6 in Canada, whose demographic policies are based on encouraging immigration.

For the first time in history, the decline in the birth rate has affected both rural and urban areas. Regional variations in the birth rate may not be as great as in Russia, but they do exist, and are worthy of attention. The lowest birth rates are observed in the capital and Vitebsk Oblast (8.5 births per 1000 population), and the highest in Brest Oblast (10.8 per 1000).

One important demographic trend, observed in Belarus at the dawn of the new century, is that despite a rise in the number of young women aged 26 or under

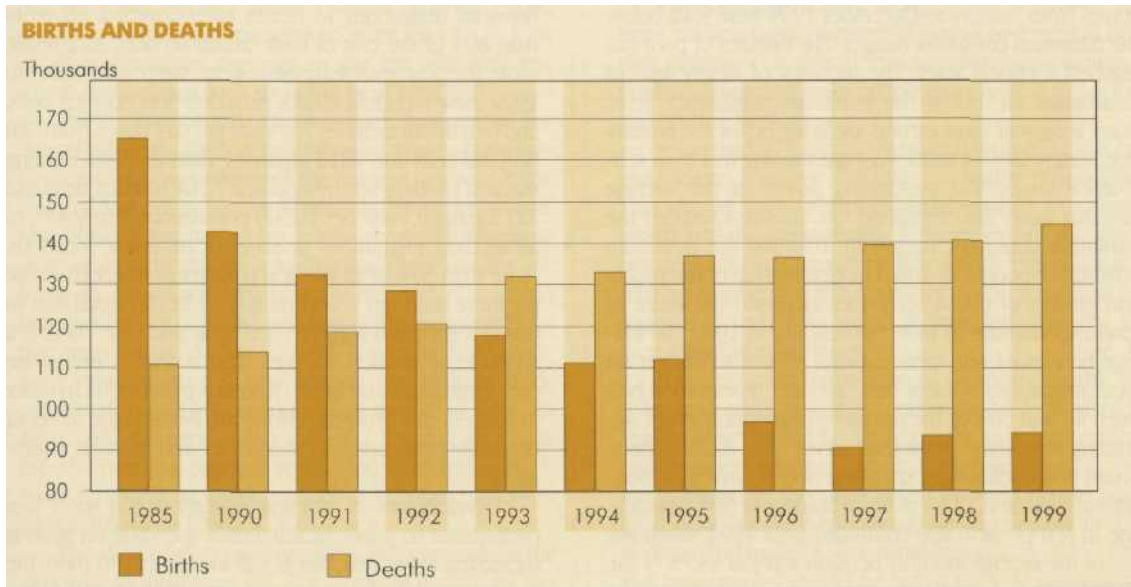
(who give birth to more than 70% of all children), there is no sharp rise in fertility. Only a slight increase was recorded in 1998 and 1999 (fig. 2.1). In 1999, the number of births rose by 0.4%, following a rise in the number of marriages from 71,400 in 1998 to 73,000 in 1999.

An increasing number of men and women are choosing to delay marriage, and the number of cohabitating couples is on the rise. As a result, more and more children are being born out of wedlock. From 1990 to 1999, their number rose 1.4 times to 17.8% of all children born in 1999.

In addition to nativity and mortality, migration also affects the demographic situation. Emigration and immigration rates have been in steady decline throughout the 1990s. In 1992, 117,000 moved into Belarus and 50,800 emigrated, yielding a net surplus of 66,900. In 1999, there were 30,800 immigrants and 13,200 emigrants. The surplus of immigration over emigration was 13,600, down 11.6% from the 1998 level. There were two main directions of migration: the CIS and the Baltic States, and non-CIS countries. Immigration from the newly independent states has traditionally exceeded emigration, and Belarus has normally had a surplus of immigration with the first group of countries, and a deficit of immigration with the second. As in the previous years, there were more immigrants than emigrants to all of the Baltic States and CIS countries. Of all newly independent states, Russia, Ukraine and Kazakhstan account for the greatest share of migration. 91.5% of all immigrants who arrived in Belarus from the newly independent states were from those three countries. On the domestic front, there has been a reduction in urban migration. This is attributed to the fact that an increasing number of rural dwellers are choosing to remain in villages.

Recent demographic trends have been affected by deteriorating public health, rising mortality rates, particularly among the working-age population, as well as the falling number of births and a decline in immigration. As of January 1, 2000, the Belarusian population totalled

FIGURE 2.1



10,019,500, down 25,700 (0.3%) from the January 1998 level. Urban population had increased by 23,900 (0.3%), and rural population had declined by 49,600 (1.6%).

The ageing of the population is a growing problem. In the definition of the UN, a population is considered elderly if the share of people aged over 65 exceeds 7%. According to the 1999 population census, the number of such people has already exceeded 13%, and 18.8% of Belarusians are aged over 60.

There has been a decline in the number of children and adolescents aged 15 or under, from 24.5% at the time of the 1989 census to 21.2% in 1999. A sharp decline in fertility caused the number of children aged 5 or under to drop by 343,000, or 42%. Relative to total population, the size of this age group has fallen from 8 to 5%.

The size of the population at pension age was 2,160,000, gaining 176,000, or 9% in the past decade. Employment-age population (men aged 16 to 59 and women aged 16 to 54), numbered 5,752,000, up 1.2% from the 1989 level.

There are significant differences in the age structure of the urban and rural population. Although the proportion of children is roughly the same (22% in urban areas versus 20% in rural areas), the share of employment age population is 62% in cities, and just 46% in villages. On the other hand, pensioners represent 16% of the urban dwellers and 34% of the rural dwellers. According to the 1999 population census, there were 746 people at pension age per every 1000 people at employment age nation-wide (607 per 1000 in urban areas and 746 per 1000 in rural areas).

Falling living standards are the main factor that affected the demographic situation in Belarus in the 1990s. From 1991 to 1998, real personal incomes dropped significantly. In 1999, real incomes represented 90% of the 1990 level, and real wages 85%.

Steps were taken to stop the decline in popular living standards, as prescribed by the socio-economic development plan for the period 1996-2000, but they brought no significant improvements. Average per capita cash in-

BOX 2.1

Reasons for the demographic crisis in Belarus

The 20th century has been the most difficult for Belarus from a demographic perspective. Decades of tremendous difficulties, abject poverty and cruel treatment of the people, coupled with the effects of the social, economic, legal, political, ecological and moral environment that has evolved in the 1990s, have put the nation on the brink of extinction. The process of depopulation that began in 1993 also affects the genetic health of the nation. Life expectancy is falling among men and women. This problem is deepening as the socio-economic situation is deteriorating and an increasing number of people are joining the lower class. Widespread crime and corruption, low morale, smoking and the spread of alcohol, drug and substance abuse have all added to the demographic crisis. Fertility is declining. Belarusian families are choosing to have fewer children or none at all, while abortions and infertility are on the rise. These trends are fairly typical of other Slavic peoples.

If the situation continues to deteriorate, and nothing is done to improve it, the last Belarusian may disappear from the face of the earth in as little as 100 years, and Belarusians may repeat the fate of the Scythians, the Hazaars, the Sarmatians, the Maya, and many other extinct peoples.

M. D. Tyavlovsky,

Merited Scientist of the Republic of Belarus, Academician

Source: Publications of the First International Congress «Demographic Problems of Belarus» (March 17–20, 1997)
 Edited by Professor M. D. Tyavlovsky, Minsk, 1997, p. 7

comes from January to December 1999 were 9,4% below the minimum consumer budget. The number of poor has reached a critical level. The incomes of nearly 46% of Belarusians are below the minimum subsistence level. Many groups of wage earners are living below the poverty line. Nearly 20% of employees are earning less than subsistence wages. The purchasing power of the average monthly salary also remained low. Its size exceeded the minimum consumer budget by 10% and the minimum subsistence budget by 70%. The devaluation of the rouble and growth of consumer prices increased the share of food expenditures in most households. In 1999, the average household was spending over 55% of its budget on food. Availability of most basic product types varied between 40 and 60% of the normal consumption levels. According to selective household survey data, 20.2% of Belarusian households were spending over 80% of their budgets on food, and 75-5% of households over 50%. The decline in real pension size continued until 1994, when the size of the average monthly pension was just 45.7% of the 1990 level. As a result of government intervention, the situation improved, but the growth in pension size was not sustained. In December 1999, the average monthly pension equalled no more than 57% of the minimum consumer budget of a pensioner.

The size of the work force has been in decline since 1991, from 5.1 million in 1990 to 4.4 million in 1998. Over the same time period, the number of employed relative to total population had decreased from 49.1% to 44.4%. The problems in the employment sector required urgent intervention to improve legal and economic regulation. The steps undertaken by the government from 1997 to 1999 reversed the downward trend in employment levels. In 1999, the number of employed increased 1.3%, reaching 4.5 million, or 45.5% of the total population. The rise in employment levels was recorded in most sectors, but not in agriculture, which continued to lose workers. Due to financial constraints, many sectors have failed to improve working conditions. In manufacturing alone, 30% of all employees are working in hazardous environments.

Public health issues are being addressed by the Health Care Development Concept and the state programme "People's Health". Guaranteed free access to medical care has been maintained throughout the period of economic reform. However, the state has had difficulty meeting its

financial obligations to health care, covering no more than 80% of the cost of basic health services. As a result, most medical establishments went deep into debt. In 1999, new inpatient clinics provided 500 hospital beds, and outpatient facilities 709 visits per day, down from 780 hospital beds and 2212 inpatient visits in 1998. Existing medical facilities accommodated 124.4 hospital beds and 221.2 patient visits per 10,000 population. Nearly 45% of all medical institutions operate in unsuitable locations. More than 50% of all medical equipment has been in use for more than ten years and should be discarded due to obsolescence and high physical wear and tear. There is a shortage of medical supplies, and access to preventive care institutions and health resorts is insufficient. In order to address this problem, efforts are being made to boost domestic production of medicines and medical equipment.

Development of physical education and sport is a prerequisite to public health. Public spending on sport is increasing every year, but is still insufficient to meet the public demand. The number of gyms is 33.6% and swimming pools just 9.3% of the need.

The focus on building new sports facilities has left the entire physical education sector without the budget to cover its daily operation costs. Physical education institutions cannot afford to pay for public utilities, and the supply of new sports equipment to schools has almost stopped.

Funding shortages have affected the social status of education workers and depleted the resource base of education. There is not enough money to pay for construction of new educational establishments. New educational facilities, built in 1990, accommodated 44,500 student places on the secondary level and 19 100 on the pre-school level. By 1999, those numbers had declined to 10,500 and 800, respectively. Depreciation of the sector's assets is at 30%, and rural schools have been the hardest hit.

Despite cutbacks during the transformation period, the network of cultural establishments has survived and maintained its essential personnel. However, the state of this network has deteriorated. Depreciation of the resource base is 57%; 64% of existing clubs do not have a designated building, 36% are operating in converted buildings. 17% of club buildings are in need of major repairs, 1% are in an emergency condition, and more than 8% have no

BOX 2.2

The need for a new demographic policy in Belarus

The experience of other countries, that have already adopted new demographic policies, suggests the need to focus on public health, education, employment and effective social policy as a means of improving the demographic situation. This does not rule out the traditional approaches, such as support for families, women and parenthood.

Health is seen as a key objective of any socio-demographic policy. The present state of the environment makes the focus on public health particularly important, putting it at the top of the nation's agenda. Efforts should be made to promote physical education, support a culture of health, active recreation and healthy eating.

N. I. Kungurova,

Doctor of Sciences (Philosophy), Professor,
Member of the Academy of Social Sciences

*Source: Publications of the First International Congress «Demographic Problems in Belarus», p. 23
Edited by Professor M. D. Tyavlovsky, Minsk 1999*

heating. Public libraries are in a similar situation. Public spending on libraries represents no more than 1.4 to 1.7% of all expenditures, contrary to the law "On culture", which requires that such spending be at least 3%.

The socio-economic development programme for the period 1996-2000 assigns priority status to construction. This reflects the depth of the housing problem in the country. More than 25% of all households are in need of new housing, but most have to wait for ten to fifteen or more years to be put on a waiting list. These families are living in communal flats, dormitories and dilapidated houses, often in crowded conditions. Housing construction went on the decline in 1995. A total of 1949 thousand square metres of new housing was built in 1995, compared to 5282 thousand square metres in 1990. In 1996, 2627 thousand square metres of housing were built (up 35% from the previous year), 3360 thousand in 1997, 3640 thousand in 1998, and 2950 thousand in 1999 (down 19% from 1998).

The state of the environment is an important factor affecting the quality of life. The negative impact on the environment has declined in recent years as a result of economic recession and environmental protection measures. However, the levels of atmospheric pollution in Gomel, Novopolotsk and Mogilev are still considered just as dangerous as previously, and in Minsk, Vitebsk, Polotsk, Svetlogorsk and Mozyr as alarmingly high. One quarter of Belarusian territory has been exposed to various degrees of radioactive contamination that has affected food and water quality. The efforts to overcome the effects of the Chernobyl accident are exerting a high financial cost on society.

In summary, the present demographic situation can be described as critical. The main components of this crisis are high mortality rates, sharp decline in fertility slow population replacement, unbalanced sex and age structure, deteriorating public health and low life expectancy in relation to countries with a similar level of development.

Demography is known for its inertia, and demographic factors are notoriously difficult to manage. Due to limited resources, there are few chances of any radical and costly solutions being applied to deal with the crisis. It would be sensible to avoid any significant investments in pro natalist policies, although the public may perceive low fertility as a bigger problem than high mortality.

The experience of many countries suggest that pro natalist policies are usually less effective than efforts to reduce mortality.

The state should provide tangible support to the most needy families and single parents with dependent children and give the rest of the population the opportunity to increase their reproductive rate.

The overriding priority of demographic policies in Belarus should be to reduce the excessive mortality rate, improve public health, support the living standards of families and children and increase life expectancy.

The acute demographic crisis in the country calls for a more proactive demographic policy: and makes it no longer acceptable for the state to act as a passive observer in this area. The efforts of the government and society should pursue a twin objective:

- to develop healthy lifestyles and behaviour patterns, making them an essential part of government decision making. This should lead to substantial changes in public opinion and make people more willing to live long and healthy lives;
- to conduct a comprehensive reform of health care and ensure adequate funding for health programmes. This should lead to visible improvements in people's health and reduce mortality. Achievement of this objective depends on increasing public health expenditures in relation to GDP. It is also necessary to adopt national and regional programmes aimed at reducing mortality and increasing life expectancy.

It is extremely important to promote healthy lifestyles and encourage every individual to look after his health. There should be clear benefits to being healthy - particularly in terms of career development and income levels. Those are the areas where the media could play a great positive role. A ban should be imposed on all types of direct and indirect advertising of tobacco and alcohol, and programmes should be put in place to reduce smoking and drinking. A certain percentage of the proceeds of tobacco and alcohol taxes should be spent on prevention of alcohol abuse and smoking. Emphasis should also be made on preventing social illnesses, such as tuberculosis and venereal diseases. Major improvements should be made to emergency medical assistance to victims of accidents and disasters. Increasing control over the living environment and working conditions is also a good way of reducing mortality.

Funding for health programmes should be made a priority, and health expenditures should gradually be raised to the level of industrial countries.

The economic environment - the role of the institutions

The economic reform that began immediately after the break-up of the USSR was often accompanied by actions that were not always consistent with market principles. Some decisions made during the transition period, particularly at its very early stages, were unbalanced, poorly coordinated, unsystematic and even useless. As a result, the reform process is incomplete. The nation seems to be stuck between the market and the old Soviet administrative command system, unable to make a clear choice between the two.

From a historical perspective, it is the countries with market based systems that have been the most successful economically and politically. There is thus no alternative to market reforms. However, there is one question with no clear answer: how fast should these reforms go? The mistakes made by Belarus' neighbours and its own errors require a lot of thought, and a lot of important lessons have yet to be learned. This is particularly true for institutional transformations in areas such as property reform, restructuring of labour relations, rebuilding of finance institutions and promotion of private enterprise. In the long run, the state should protect existing structures and build new institutions that will foster an economic environment suitable for all economic entities. Such an environment should be conducive to sensible decision ma-

king, and should be able to respond to current trends in globalisation, promote technological advancement and, ultimately, create a sound economic base for sustainable human development. The institutional system in a new economy should also have roots in the national culture, law, psychology, ethics, morality and other areas that are not directly related to the economy. These areas are known as informal social institutions.

The experience of market transformations suggests that the role of these informal institutions has been underestimated in most post-socialist countries. Neglect of this factor, particularly in the early stages of reform, has had negative economic consequences in many of those states. The liberalisation of foreign trade, domestic markets, and particularly prices, did not produce the desired results, mainly due to lack of support from market-based institutions, capable of absorbing market influences and replacing the old system based on central planning. The reforms had in fact dismantled the old institutional environment, but created nothing to replace it. The resulting institutional void disrupted the work of many industries. In a situation of extremely few restrictions and little control, a considerable proportion of the national assets of many transitional countries were appropriated by individuals to the detriment of society.

Other side effects included unfair competition, inflation, circular debt, corruption, inability of the state to perform its social functions and growth of the grey economy. However, despite its negative impact, liberalisation also had some positive results. Among other things, it helped balance the market and promote the growth of a new institutional framework.

In any analysis of the market reform, compatibility between formal and informal components of the infrastructure is always an important problem to consider. The formal elements are easier to modify, by changing the written rules, procedures and bylaws. Informal institutional components include morals, customs, traditions, public opinion and other "unwritten rules", which have formed over time and are less responsive to change. Rooted in the socialist past, those informal components may often conflict with the new institutions. This problem frequently occurs at the early stages of reform, particularly if insufficient efforts have been made to educate and prepare the public opinion. If unresolved, it may have a destructive effect on society.

Despite having a common system, the former Socialist states differed in the degree to which their formal and informal institutional components were prepared for market reforms. The response of the economy to liberalisation and reforms also varied from country to country. Differences were observed in the depth and duration of recession, and the time required for the adoption of monetarist approaches to economic governance. In Central European countries, the formal and informal institutions were more responsive to the market transition than in Eastern Europe, which explains the visible success of Central Europe in implementing reforms.

This factor can also explain the developments that have taken place in Belarus. Throughout the entire period of transformation, the deepest economic recession was observed between 1992 and 1995, when the old centra-

lised system was collapsing, and the country was rapidly liberalising and moving towards the market.

However, no formal institutions had been created to support those changes or the growth of sovereignty, whilst the existing informal institutions were mostly pro-Socialist and anti-market. Since the first presidential elections in 1994, government institutions have regained their strength, and the liberal reforms have slowed down. This had an immediate effect on the economy, which had already been overheated by expansionist monetary policies.

Economic growth was achieved in 1996, and has been sustained, with varying degrees of success, until the present day. This growth was not exactly the product of the nascent market institutions. In fact, it was achieved in many ways by directly opposite means, notably, by reviving the centralised command system in areas where market self-regulation was too weak to be practical and by restricting entrepreneurial freedoms, especially in price formation. Although justified for that period of time (when it was vital to prevent complete disintegration in the economy), this policy is increasingly becoming a barrier to progress.

Returning to the mainstream of market reforms has again become a priority. The institutional prerequisites required for such a return are already in place - the legal framework has improved, market support institutions have developed, and people are increasingly starting to rethink their past attitudes toward the market system.

Market type institutions could not develop and operate without the leadership of the state. The state should use its extensive powers to reform the whole institutional system. The absence or weakness of certain institutions during economic transformation creates problems and malfunctions in different parts of the economy, breeds social problems and exerts a high cost on individual enterprises and households. Movements to bridge institutional gaps can be initiated at the grassroots level or by government. Acting at the grassroots level, companies may decide to create an association that would address their problem. They may also refer their problem to the state. In its turn, the state should make sure that the solutions that it applies do not interfere with the integrity of the institutional system.

Economic transformations are thus extremely dependent on a strong state. In addition to conducting institutional reforms, the state should also strengthen its support functions, by offering help to potentially viable industries that have not had enough time to adjust to the new environment and competition. Efforts should also be made to reduce the cost of transition for the most vulnerable groups. In general, the state should intervene in areas where market-based self-regulation is impossible or impractical.

In this context, the efficiency of government is of vital importance, as are the skills, professionalism and high moral standards of public servants. Their main function is to identify problems as they arise and apply timely and effective solutions that fit within the overall socio-economic development strategy. Recent experience shows, however, that the institutional reform in Belarus has often been incoherent and ineffective. The movement

towards the market has almost stopped, and some areas have seen a return to the old centrally controlled and bureaucratic system. The number of professionals who enter public service has declined in recent years, partially as a result of poor wages.

At present, the main focus of institutional transformations should be on ownership, private enterprise, labour relations, and a number of other critical areas.

Ownership rights are governed by the Constitution and the law "On Ownership", enacted in December 1990. This legislation provides a definition of ownership, ownership types, legal grounds for ownership. It also delineates the areas of ownership and establishes a system to protect ownership rights. The law "On Ownership" is the basis for other legislation dealing with ownership, including the laws "On lease" (enacted on December 12, 1990), "On Local Government and Self-rule" (amended in

April 1999), "On Enterprises" (enacted December 14, 1990), "On Ownership of Land" (enacted June 16, 1993), "On Combating Economic Crime and Corruption" (enacted June 15, 1993), "On Loan Collateral" (November 24, 1993), "On Economic Insolvency and Bankruptcy" (June 17, 1993), "On Joint Stock, Limited Liability and Extended Liability Companies" (December 9, 1992), "On Privatisation and Incorporation" (January 19, 1993), and "On Personal Privatisation Cheques" (July 7, 1993), among others.

The above laws are supplemented by presidential and governmental decrees, instructions and ministerial bylaws. This legislation is in the process of constant improvement. Work is in progress on drafting new taxation, customs and water codes and laws "On Preventing Unfair Competition", "On Mortgage", "On Bankruptcy", "On Debt Restructuring" and "On Managing the Bankruptcy Procedure".

BOX 2.3

Privatisation - lessons for Belarus

Belarus is in a strong position to draw on some of the past lessons in framing a privatisation policy. There may even be advantages to beginning the process behind other countries, though such caution was obviously not the reason for delay. Some of the main lessons are summarised below:

1) The authorities might be circumspect before racing into a mass privatisation scheme that merely transferred paper ownership rights in the bulk of enterprises from the state to insiders - managers and workers. This points to a more carefully designed privatisation process which concentrated on:

a) Key sectors where capital and foreign expertise were particularly relevant (e.g. telecommunications, electricity oil)

b) The newly emerging private sector, where the assets of state owned firms (machinery, land, vehicles, equipment) could be auctioned to new entrepreneurs.

2) Privatisation needs to go hand in hand with the development of a capital market. Key issues have concerned liquidity and transparency. Even if initial holdings of shares are concentrated in the hands of insiders, and are highly dispersed, the operation of a capital market can permit outside block-holders (strategic owners) to develop concentrated holdings. The capital market also provides the basis for the role of the take-over mechanisms.

3) A second priority to ensure that privatisation has the desired effects on enterprise performance is the emergence of an efficient banking sector. One of the key constraints on firms, forcing them to lower levels of output and to use barter and other non-monetary payment systems, is the lack of working capital. The banking sector is failing to play its crucial role in financing economic activity, and this cannot be resolved by enterprise privatisation alone. However, if combined with bank privatisation and increased competition in the banking sector - from both domestic and international bankers - this problem might begin to be addressed.

4) Product market competition also needs to be stimulated considerably. Recent evidence from across Central and Eastern Europe emphasises the importance of linking competition and financial discipline with effective corporate governance and the rule of law. Compared to countries such as Hungary, Poland and the Czech Republic, Russia and other countries of the FSU such as Belarus show major shortcomings in this respect.

5) The final issue is management and entrepreneurship. There is a need to replace under-performing and incompetent management in order to bring about major performance improvements. However, there are problems in installing new entrepreneurial managers. The managerial labour market is weak and it may be difficult to find good managers to replace existing ones. Existing managers in Belarus may be hostile towards outside investors if they are perceived to be only concerned with shallow restructuring, including the replacement of the managers themselves, rather than longer term deep restructuring. Evidence from the West suggests that entrepreneurial action inside existing firms, such as the creation of new products and entering new markets, is linked to long-term institutional share ownership, while survey evidence from Russia suggests that managers of privatised enterprises perceive banks and investment funds to be primarily short-term portfolio speculators. Managers in privatised enterprises may not be effective at entrepreneurial actions and may instead, possessing only routine functional skills, entrench their control of their enterprises. Perverse incentives and inappropriate legal infrastructures may, however, mean that entrepreneurship in Belarus can be unproductive or even destructive as in the case, for example, of organised crime. The encouragement of enterprise depends, therefore, partly on the development of legal infrastructures that will be effective in creating the conditions for positive entrepreneurship.

Saul Estrin,

Professor of Economics at London Business School

TABLE 2.3

Private enterprise development					
	1995	1996	1997	1998	1999
Number of small businesses	14813	20077	22754	24061	26787
Number of employees in small business, thousands	176.9	220.7	232.1	280.5	326.9
Number of sole traders, thousands	—	157.1	121.8	128.7	138.8

Source: Ministry of Statistics and Analysis

The new Civil Code, which took effect on July 1, 1999, is an important factor in the progress of the market reform and development of private enterprise. It is based on the model taxation code, drafted within the framework of the CIS Inter-parliamentary Assembly. The Code should assist in replacing the old Soviet terminology with globally accepted terms reflecting changes in the economic and legal environment and based on entrepreneurial freedoms and initiative, not on command and control. The civil code is just the first step in developing a market-friendly legal environment. It should be followed by a major effort to make the whole economic legislation consistent with the Code.

Under the new Civil Code, privatised companies (and enterprises not subject to privatisation) may operate as legal entities. The types of legal entities are numerous, but are clearly defined by the Code. They are partnerships (full or limited), companies (including limited or extended liability, closed or open joint stock companies), manufacturing cooperatives, and unitary companies (Article 46). For every type of business, there are different proce-

dures that govern charter capital formation, management structure, transfer of shares or ownership in an enterprise, liability of shareholders and other aspects of a business¹ operation. The new Civil Code also introduces additional criteria for the definition of commercial activity. It defines commercial activity as "any independent activity performed on a regular basis by legal entities or private individuals with the purpose of deriving a profit from the use of property, or sale of goods procured, manufactured or remade by the said individuals or entities, or provision of services to third parties, unless such goods and services are intended for private consumption by the producers. Individuals or legal entities involved in such activities operate at their own risk and bear liability for debt with their property (Article 1).

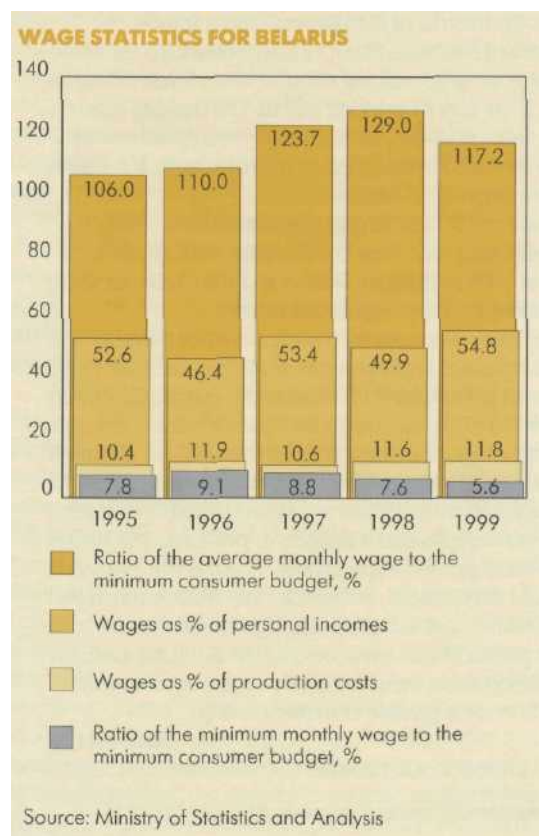
The adoption of the Civil Code was a significant step forward, but this progress was somewhat reversed by presidential decree No. 11 "On Improving Procedures for State Registration and Liquidation of Economic Entities" of March 16, 1999. Enactment of this decree is a sign of a controversial approach adopted by the leadership of the state towards privatisation and private enterprise.

The aim of the presidential decree is to strengthen the liability of legal entities for debt. This is achieved mainly by obligating commercial entities to have a certain minimum starting capital. Requirements for charter capital size depend on the type of business. For example, limited and closed joint-stock companies, which represent the majority of small and medium-sized businesses, are required to have a charter capital of at least 3000 minimum wages (equivalent to approximately \$7,800),

This condition is a significant constraint to the development of small and medium-sized business. Limited and closed joint-stock companies are at a particular disadvantage for a number of reasons. First, they are unable to attract outside investment into equity capital due to limitations that follow from their status. Furthermore, equity loans are directly prohibited by law. Second, limited liability companies must have the required equity capital, and open joint stock companies at least one-half of such capital prior to registration. Third, companies may not allow equity capital to fall below the required minimum even after registration. The decree has also introduced bureaucratic barriers to the growth of private enterprise, mainly due to complex registration procedures, which are different from those in many other countries, where new companies are not required to seek official permission to operate, but merely notify the authorities of their intention to start up a business.

Limited and open joint-stock companies may be replaced by extended liability companies, as well as full or

FIGURE 2.2



limited partnerships, manufacturing cooperatives or co-operative associations, which are required to have an equity capital of at least 150 minimum wages (\$390). The size of equity capital needed to establish a unitary company is also relatively high (750 minimum wages, or \$1950).

There are also other barriers to private enterprise, such as an unstable and volatile legal environment, inefficient and overly complicated taxation system, inadequate investment climate, poor access to leasing, low self-organisation and inadequate development of the small business infrastructure, and insufficient legal protection of small business owners and employees.

The controversial approach to privatisation and private enterprise has certainly affected the pace of transition. The number of companies undergoing privatisation has declined in recent years, whilst the number of companies earmarked for privatisation remains insignificant. The number of business start-ups is also falling (table 2.3), even though a strong private sector is key to economic and human development in Belarus. Lack of support for private enterprise, and particularly small business, leaves Belarus with few chances of building a middle class, a critical factor of social and economic stability. Support for the private sector is also a prerequisite to macroeconomic stabilisation, which will inevitably lead to massive redundancies in a large number of enterprises. Small business could absorb a significant proportion of the work force, but only on condition that the costs of starting up a business are at a reasonable level.

Economic transition is dependent on, but not limited to, property reform and enterprise development. The new economic environment should incorporate a new type of labour relations, based on market principles. A working labour market is essential. Labour relations are governed by the Labour Code, as well as the laws "On Enterprises", "On Employment", "On Collective Agreements", "On Trade Unions", "On Arbitration in Labour Disputes". "On Indexation of Wages", "On the Development of Social Partnership". Together, these laws provide a sound legal environment to govern labour relations and the labour market. However, the implementation of those laws has some substantial defects and inadequacies. The new income indexation scale, enacted on July 26, 1999, and the presidential decree No. 29 "On Further Steps to Improve Labour Discipline", have had a limited effect on the situation. The first document entitled wage earners to a higher amount of compensation for lost income due to inflation. The second introduced the contract system as a new basis of employer-employee relations, which is more consistent with the market system.

However, the employment situation still remains serious. Low wage levels are a particular problem, (fig. 2.2) The state is still unable to meet the requirements of the law "On the Minimum Wage and Guaranteed Wage Levels". Several steps have been made to improve the situation. In 1998, Parliament enacted the law "On the Minimum Subsistence Level". But this, and other efforts in this area, have had only marginal results.

Wages remain inadequately low, and thus continue to lose their significance as an incentive to work. In 1999, the average monthly salary was just 17.2% higher than the

minimum consumer budget. The minimum monthly wage still does provide the minimum standard of living guaranteed by the state. In 1999, the ratio of the minimum wage to the minimum consumer budget reached a low of 5.6%. Salaries still represent an inadequately low proportion of personal incomes (54-8% in 1999), and the ratio of wages to total production costs is miniscule (does not exceed 12%). These and other related issues can not be addressed by varying wage scales or by adjusting mechanisms that link wage increases to inflation. There is a need for comprehensive solutions that would not only address wage levels, but deal with a multitude of other issues, such as taxation, price formation, finance and credit, ownership and enterprise support.

A comprehensive approach is extremely critical, particularly to institutional reforms. The lack of such an approach has seriously affected the course of the transition period. It is essential to add more stability to the legal framework, which means that old legislation would be phased out gradually. The new legislation that replaces it should be predictable. It should not lead to legal gaps or have unexpected negative effects on the legal situation of economic entities. The state carries the bulk of responsibility for the continuity of reforms, because it is the state that should establish the rules and enforce them.

Sector dynamics and performance

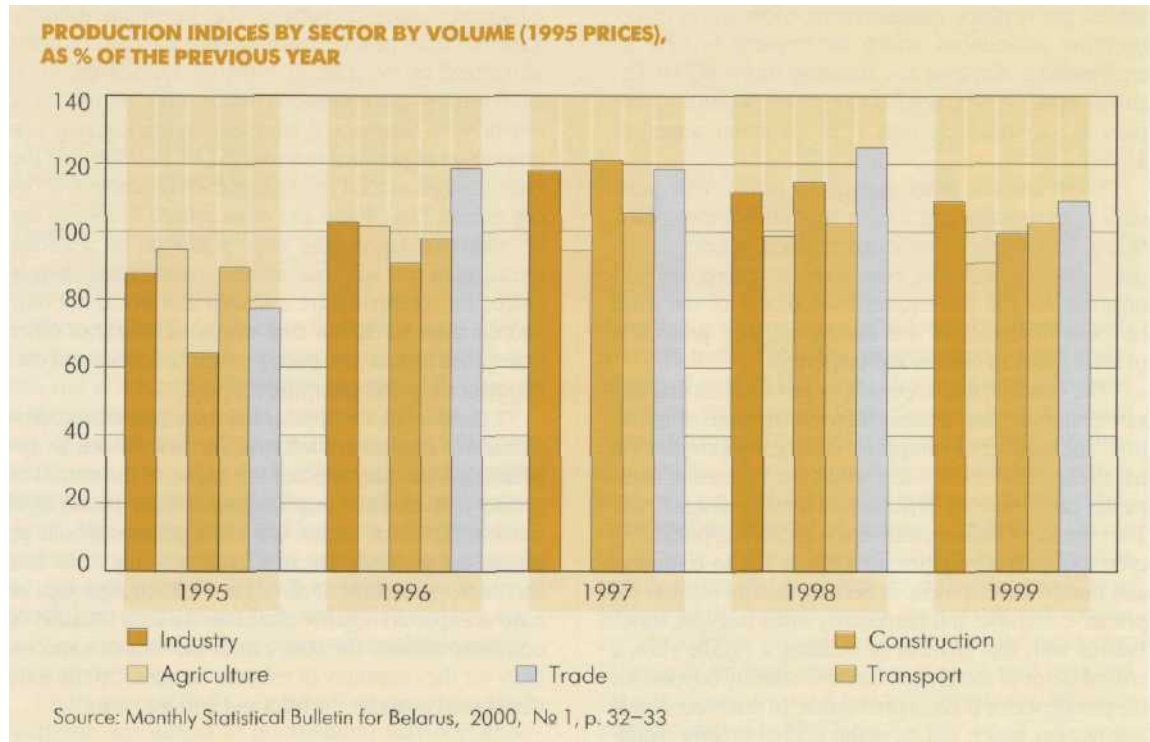
At first glance, the progress achieved by Belarus in economic growth seems to have provided good opportunities for human development. But a closer look at the state of individual sectors highlights a number of serious problems. The overall increase in GDP has affected individual sectors differently, and significant disparities have been observed in each of them (fig. 2.3).

Industry and trade have been the fastest growing sectors. However, the proportion of industrial output to GDP has had a tendency to decline. Unexpectedly, transport has been growing slower than industry. Construction, on the other hand, has entered a period of stagnation after two years of rapid expansion. This development is a cause for particular concern from the human development perspective.

It is common knowledge that qualitative growth of some key economic indicators does not always reflect the economy's ability to serve the people. In order to assess this ability, the performance of its basic sector has to be considered. It is also important to examine the state of supply and demand, and in particular, the current size of unsold product inventory. Relative to monthly output, product inventory size varied between 40% and 80%. Developments on this front suggest that the industrial sector has been having increasing difficulties with product sales. The ratio of monthly product inventory to monthly output increased continuously throughout 1999, reaching 64.3% in December. One may also assume that the nation's industries have also been having difficulties with exports, given that export represents 60% of GDP.

The ratio of incoming to outgoing debt has declined across the board and in most individual sectors, but the handling of corporate debt still presents a problem, as companies in most sectors of the economy are short of

FIGURE 2.3



cash (tables 2.4, 2.5). Agriculture and public utilities have been the hardest hit, but the situation of transport and industry is almost equally bad. Overall, the money on corporate accounts could cover only 20-30% of outstanding corporate debt (20.1% in industry, 9-7% in public utilities and 9-5% in agriculture).

The corporate debt problems encountered in 1999 were not new. Net corporate debt had in fact been rising for a number of years. It is also remarkable that the peak in the growth of the physical volume of the GDP was recorded in 1997 and 1998, when net debt was also the highest. This situation persisted throughout 1999.

This tendency led to a rise in the number of loss-making companies, which was only to be expected. As of January 1, 2000, 1924 enterprises (17.1% of the national total) were operating at a loss (up from 16.2% at January 1, 1999). Total losses reached 33-3 billion roubles (prior to

denomination). The highest losses were recorded in agriculture, communications and personal services. Although the absolute number of loss-making companies had decreased, total losses exceeded the level of the previous year (fig. 2.4).

in general, 1999 continued the grim tradition of the previous years. The proportion of loss-making enterprises has been on the rise ever since 1997, and this during the period of economic growth that lasted from 1996 to 1999.

Whilst the number of loss making companies was declining in industry, construction and public utilities, it was increasing rapidly in agriculture and transport. Sporadic fluctuations in this number have been typical of trade, housing and public services. It was particularly alarming that the number of unprofitable companies was the highest in sectors that were the most vital for public welfare.

TABLE 2.4

Debt incoming to debt outstanding ratio, %

Period	As of January, 1 1999	As of April, 1 1999	As of June, 1 1999	As of July, 1 1999	As of December, 1 1999	As of January, 1 2000
Total	142.3	144.5	156.0	142.8	134.8	132.4
Including:						
• manufacturing industry	184.7	193.9	186.5	158.4	157.4	156.2
• agriculture	10.9 times	10.6 times	12 times	11.6 times	12 times	11.2 times
• transport (including pipelines)	73.1	72.1	104.8	90.1	70.3	69.1
• construction	92.7	110.2	88.5	75.6	80.8	85.0
• trade and public catering	3.7 times	4.8 times	4.1 times	4 times	4.1 times	4.1 times
• procurement and sales	208.5	286.8	185.3	168.8	119.4	75.1
• public utilities	104.0	117.0	95.2	89.1	88.0	87.4

Source: Performance of the National Economy – a Monthly Statistical Bulletin V.1, 2000, p. 95

TABLE 2.5

Enterprise solvency						
Period	As of January, 1 1999	As of April, 1 1999	As of June, 1 1999	As of July, 1 1999	As of December, 1 1999	As of January, 1 2000
Assets on corporate bank accounts as % of debt	32.3	20.2	22.0	24.6	23.8	27.5
outstanding:						
• Industry	21.66	18.3	19.1	19.0	18.3	20.1
• Agriculture	10.3	11.3	9.5	10.8	8.2	9.5
• Transport (including pipelines)	45.0	18.8	17.6	18.5	22.9	23.0
• Construction	109.7	79.4	114.2	103.8	86.7	126.2
• Trade and public catering	94.6	69.5	76.3	94.5	95.9	145.3
• Public utilities	9.3	5.5	4.6	5.7	7.5	9.7

Source: Performance of the National Economy – a Monthly Statistical Bulletin №1, 2000, pp. 95–96

The high number of loss making companies, many of which are potentially bankrupt, makes the economy less able to meet people's needs. Employers have been having difficulty paying decent wages to their staff, even though wages represent a fairly low proportion of production costs (9% to 18.8%). Wage arrears are also a problem.

Popular living standards - at present, as well as in the future - depend greatly on economic efficiency. A stable and efficient economy creates opportunities for the growth of real incomes in the short term and a base for employment and economic prosperity in the more distant future. Economic efficiency could best be assessed by examining profitability statistics.

Profitability has been on the rise since 1996, but profitability rates have remained below the national average in sectors most concerned with meeting the everyday needs of the population. This tendency continued in 1999. Industry and communications ranked among the most profitable sectors. The rise in product sales relative

to costs enabled the industrial sector to increase profitability from 14.5% in 1998 to 17.1% in 1999. In trade and transport, profitability rates declined.

Among various sectors of industry, the highest profitability rates were recorded in the fuel industry (46.5% in 1999, versus 26.1% in 1998), chemical and petrochemical industry (25.1% in 1999, 18.9% in 1998), light industry (22.5% in 1999, 20.7% in 1998), logging, timber and pulp industry (17.7% in 1999, 21.3% in 1998). Other sectors registered much lower profitability rates, including ferrous metallurgy (13.4% in 1999, 16.9% in 1998), food industry (13.3% in 1999, 12.9% in 1998), manufacture of building materials (7.9% in 1999, 6.4% in 1998), and electric power industry (3.9% in 1999, 2.8% in 1998).

The average rate of profitability (10-15%) still remains below the level needed to maintain and expand production, or to attract investments. In addition, low economic efficiency is an obstacle to redistributing resources in favour of publicly funded social services, such

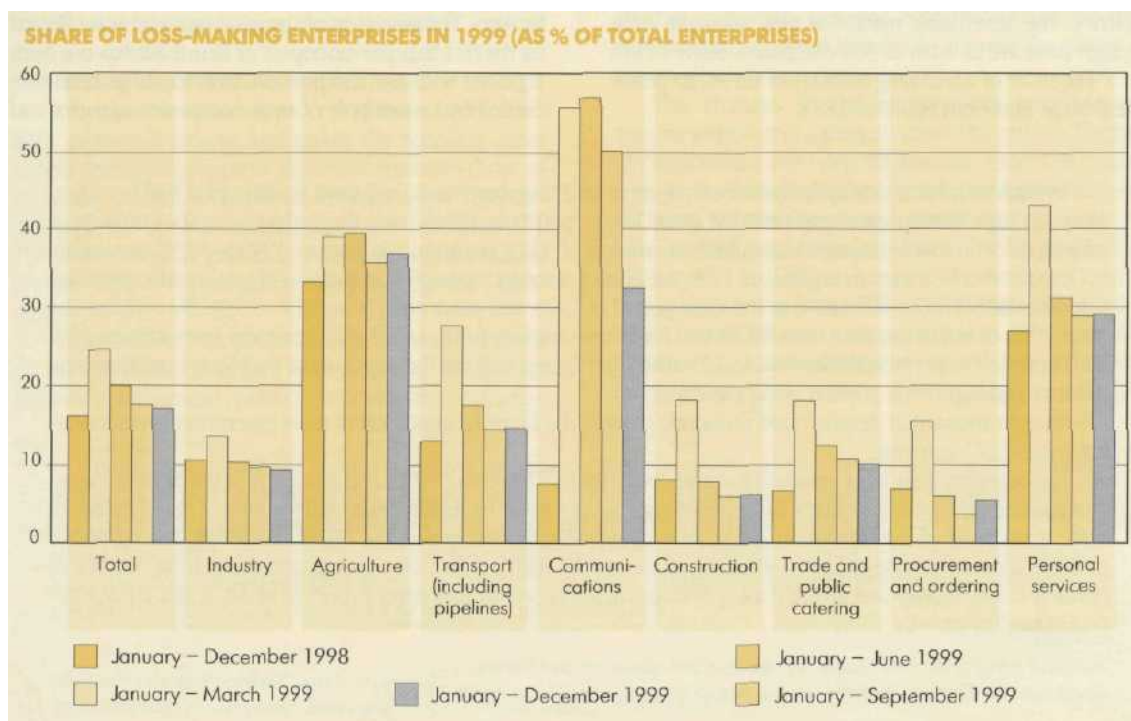


FIGURE 2.4

as education or health. And this makes the state of the sectors that are directly related to human development a matter for particular concern.

The differences in profitability rates between public and private sector enterprises revealed an interesting pattern. In 1998, private sector profitability was above the national average and exceeded that of the public sector. This situation changed, quite unexpectedly, in 1999, when industrial enterprises in central government ownership registered above-average profitability rates, leaving joint stock and leased companies behind. Collective enterprises, however, have maintained the highest profitability levels of all public and private sector enterprises.

A sophisticated system of business communications is an important element of an efficient and dynamic market economy. The presence of such a system promotes the growth of information technologies. In Belarus, its main components are currency and stock exchanges, advertising agencies, and other institutions of a similar type.

Privatisation and incorporation have given rise to a stock market, which still has not grown beyond an embryonic stage. As a result, companies still lack objective information on the value of their fixed assets. The foreign currency market appeared when individual companies were allowed to enter foreign markets independently of the state. The absolute majority of legal foreign currency transactions are done through the Interbank Currency Exchange, as opposed to Russia, where a lot of trading in hard currency is done at the non-exchange market. The Interbank Exchange operates as a division of the National Bank, but has a separate balance and accounts. Distortions in the exchange rate, and the resulting price imbalances, have been caused mainly by the requirement that all economic entities sell a fixed percentage of their hard currency revenues and excessive administrative control of the Exchange.

Advertising is an important factor of economic efficiency. The advertising market is now stagnant, even though there are as many as 300 companies active in this area. The share of advertising costs is just 0.25%, far below the average European figure of 0.88%.

BOX 2.4

As equity capital is tied up in industry, equipment and inventory stock, and most liquid capital had been borrowed at high interest rates, payments on those loans contribute significantly to production costs. Commercial interest rates on rouble loans increased from an average of 30.1% per annum in January 1999 to 58.5% per annum in October. From January to September 1999, the cost of material inputs as a proportion of total production costs rose from 68.5% to 72.3% relative to the same period of 1998, and other costs from 9.1% to 9.9%. By contrast, the proportion of wages declined from 12.1% to 11.3%, contributions to the social welfare system from 4-5% to 4.3%, and depreciation payments from 5.8% to 2.2%. The latter figures indicate the depth of the problems in modernising industry and improving popular living standards.

Analysis shows that despite rapid economic growth, the financial condition of most enterprises is deteriorating, instead of improving.

The economy is short of liquid capital and deep in debt. The roots of the crisis lie mostly in the present monetary, currency and pricing policies. Increased money supply, resulting mainly from high volumes of credit emission, is the main cause of rising inflation. Inflation is eating away the incomes of the Belarusian people and corporate profits. Unless enterprises begin to work for profit, not for high production volumes, and the current practice of printing empty money and giving it away is stopped, the economy can never expect to stabilise and enter a period of healthy growth.

*Analytical panel of the Max Kuryavsky Unions of Entrepreneurs and Employers
"Natsionalnaya Ekonomicheskaya Gazeta" Newspaper, Issue No. 52, December 29, 1999*

Belarus is in the last place in Europe by per capita advertising expenditures, which are roughly \$5. The breakdown of expenditure on advertising has remained unchanged for the last several years, which is yet another indication of a stagnating market. The press represents 61% of the advertising market, followed by television, with 17%. Recently, television has increased its market share. This is attributed mainly to the arrival of large international advertisers, changes on Belarusian television and low advertising rates. The remaining part of the advertising market is taken by radio (10%), outdoor advertising (9%), and other advertising channels (3%). In summary, the business information sector still remains underdeveloped. The existing information infrastructure is not conducive to rapid flows of essential commercial information.

Current development and growth trends in different sectors of the economy do not reveal any significant qualitative changes. Overall profitability remains low, corporate debt is rising, and financial problems are worsening. Modernisation is painfully slow. The share of services in the GDP is increasing at a snail's pace, and the information sector, which is essential in reducing transaction costs, is stagnating. As a result, the economy's ability to serve people's needs is limited, and the transition to sustainable human development is impeded.

In this respect, the situation in the insurance sector is quite exemplary. The law "On Insurance", enacted in 1993, eliminated the state's monopoly on insurance, and independent insurance companies mushroomed. However, they were mostly insuring speculative risks, and the interests of clients and insurers often coincided. The services of those companies was sooner a financial service than insurance as such, and provided 90% of their total revenue.

Today, there are 53 insurance companies, of which 49 have broad areas of specialisation, providing risk and savings-based insurance. There are also three insurance brokers. The efficiency of the insurance sector is affected by the fact that the monopoly of Gosstrakh has not been replaced with fair competition. Instead, it has been succeeded by a monopoly of large companies, agencies and

banks, which are forming their own insurance companies to insure against all, or nearly all of their risks. Four of the nation's largest companies, including Belgosstrakh, own one-half of all insurance reserves. The gaps in legislation have made it possible to establish small insurance companies, whose product has a clear speculative nature.

The structure of the insurance portfolio, i.e. the breakdown of insurance receipts by type of insurance, has remained almost unchanged in the past several years. Property insurance provided 60% of all insurance revenues, followed by insurance against financial risks, with approximately 20%, personal insurance (10%), and mandatory insurance (4.7%). Companies sell relatively few policies to private individuals (including life, pension, accident or other savings-based insurance contracts). In addition to being too costly and time-consuming to companies, these types of insurance are often more vulnerable to inflation.

Another type of insurance - insurance of loans - is becoming less attractive to insurance companies, as they are finding it too high-risk and unpromising. Many companies, who offered such insurance before, are deciding to explore new areas of the insurance market.

In general, the sector is in crisis, caused largely by the loss of public trust in insurance as such. One barrier to the sector's development is a lack of safe and profitable areas for investing insurance reserves. Until recently, insurance companies have been investing their reserves in short-term government bonds (32.2%), real estate (4.5% in 1997) and corporate shares (0.5%). The remaining part of the insurance reserves was put on bank deposits.

As seen from the above data, the insurance sector is not meeting all the needs of households and businesses and therefore, cannot become a factor of sustainable human development. Low efficiency in most sectors of the economy - including agriculture and industry - coupled with budgetary constraints and low wages - which make savings difficult, if not impossible - are all posing a serious threat to future development. They are also creating major obstacles to investment.

A dynamic investment process is the source of healthy economic growth and makes the economy more people-friendly. Investment dynamics resemble those of economic growth. A decline in investments in 1998 follows a period of recovery that started in 1996 (fig. 2.5). The share of equity capital in investments is fluctuating around 50%, as the proportion of public funds is declining.

Today Belarus has to make some difficult decisions on the directions of further investments. At first glance, the bulk of investment resources should go into manufac-

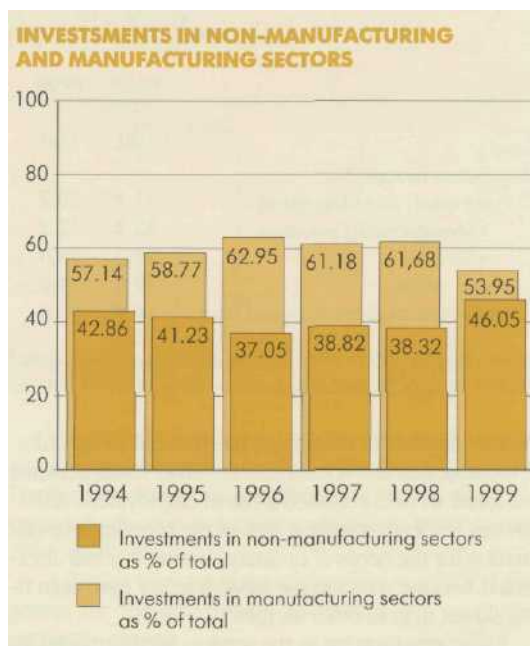


FIGURE 2.5

turing industries, science and research, as this is the best way of increasing the economy's competitiveness during crisis.

However, the poor state of social services makes this approach inapplicable, and calls for redistribution of the scarce resources into areas directly concerned with maintaining the human capital.

The present investment climate inhibits economic restructuring, a process that should make the economy more conducive to sustainable human development. In this respect, the structure of the national wealth is highly symptomatic. The assets of the services sector and personal property have been declining since 1994. This is yet another indication that the economy should be modernised and improved in order to improve the quality of human development (table 2.6).

The changes in the employment structure are another indicator of a sluggish economic reform. The rate of employment has been on the rise since 1997 (table 2.7). In the meantime, the overall population size was declining, but the size of employment-age population relative to total population was increasing (from 44.4% in 1995 to 45.5 in 1999). In industry, the number of employees was declining from 1990 to 1996. Later, this number began to rise, but never recovered to the 1994 level. It is obvious that the decline of unemployment has been linked to economic growth. Over the last five years, the

There are a number of factors that have, and will continue to inhibit savings, even if appropriate economic and financial policies were applied. First, the financial markets and the financial system as a whole are relatively underdeveloped, and too dependent on politics. Second, persisting economic instability causes many people to spend their savings on property, hard currency, precious metals or stones, or to invest their money overseas into less profitable, but also less risky areas. And thirdly, most of the existing financial instruments are unreliable, have insufficient liquidity and provide a low return on investment.

Vasily Sviridovich

BOX 2.5

TABLE 2.6

National wealth (excluding land, mineral resources and forests at December 31)										
	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total	100	100	100	100	100	100	100	100	100	100
Distribution by type, %:										
Fixed assets (including cattle)	61.1	60.2	48.9	69.1	92.4	94.3	81.4	87.6	89.0	78.5
• Manufacturing industries	33.1	32.2	26.5	43.3	66.7	52.1	40.8	49.6	50.4	43.4
• Services	28.0	28.0	22.4	25.8	25.7	42.2	40.6	38.0	38.6	35.1
Liquid assets	19.0	19.0	32.0	27.0	6.6	4.8	15.1	8.8	7.7	15.8
Household property (adjusted cost)	19.9	20.8	19.1	3.9	1.0	0.9	3.5	3.6	3.3	5.7

Note: data for 1992–1997 include asset revaluation, data for 1998 exclude the asset revaluation of January 1, 1999
Source: Annual Statistical Bulletin for Belarus, 1999. Ministry of Statistics and Analysis, Minsk, 1999, p. 254

absolute number of employees has reduced in agriculture, construction and science. On the other hand, personal and social services recorded a rise in employment. Although this tendency may be a sign of the economy's re-orientation for the needs of ordinary citizens, it is still unexpected, because wages in the services sector have been rising slower than in other sectors.

Rising employment in the services sector may be attributed to the social policies of the state and the growing pressure of unemployment on the ordinary citizen. Similar to employment, the share of services in the GDP has also increased somewhat. By drawing parallels between employment dynamics and changes in the structure of assets, one may conclude that relative to other sectors, the services sector has become more labour-intensive but less equipped with machinery.

The changes in the structure of investments, employment, and, consequently, GDP are a sign of the government's consistent effort to pursue an active social policy, conducive to human development. However, the outcomes of such a policy do not always correspond to its goals. The main reason for this discrepancy is the inefficient economy. For example, massive housing construction may have a great social benefit, but it is also a burden on the budget, which already covers most of the operating costs in the public utilities sector, where 51.6% of all companies were operating at a loss in 1999. These additional public expenditures could not be paid for by increasing revenues, as too many corporate taxpayers are experiencing serious financial problems. Redistribution of available revenues is also not an option, due to difficulties in many other sectors of the economy, such as agriculture.

The experience of economic and social transformations gained in the past few years is yet further proof that only an efficient market economy can enable sustainable economic human development. The economy's ability to serve the people is not a function of GDP, but rather the

result of its progressive structure, which ensures high popular living standards and high incomes of the state budget.

Social policy - tradition and systemic changes

Trends in the Belarussian social policy

The development of social policy has at least two stages, each representing different social models.

The first stage, which lasted throughout the first half of the 1990s, was based on a paternalistic approach, whereby the state had extensive control over the individual and his social welfare, and welfare programmes had almost universal coverage. The paternalistic model had been borrowed from the social policies of the ex-USSR.

One major weakness of the paternalistic model is duplication of social assistance, making the welfare system unreasonably costly, and the economy and state unable to sustain it.

Initially, the Belarussian social policies were not very different from those of many other transitional countries. Just like those countries, Belarus was aiming to increase the share of social expenditures relative to total public expenditures.

In 1995, the ratio of public expenditures to GDP was below the 1990 level, but there was no similar decline in the ratio of social expenditures to total public expenditures. Instead, it had been rising up until 1995, and only then began to decline (table 2.7).

As social expenditures were rising, so was employment in the social sector - both in absolute terms and in relation to total employment. In 1990, the public utilities sector employed 3% of the work force, and in 1996 4-5%. Relative to total work force, the number of health care workers increased from 4.4% in 1990 to 5-8% in 1996. In

TABLE 2.7

Public spending as % of GDP						
	1990	1991	1992	1993	1994	1995
Public spending as % of GDP	33.5	28.4	34.3	42.8	40.3	32.8
Public spending on social programmes	8.2	10.9	13.1	13.7	12.4	10.5
Public spending on health	3.5	4.0	2.5.3	6.6	7.0	5.2
Public spending on education	4.9	5.8	6.6	6.8	7.0	6.8

TABLE 2.8

Distribution of subsidies social benefits (Quintile group ranking by the total amount of subsidies social benefits received)					
Quintile group	bottom	second	third	fourth	top
Food	2	3	1	4	5
Public transport	5	4	3	1	2
Public utilities	5	4	1	3	2
Drugs	5	4	2	3	1
Pre-school and primary education	1	2	3	4	5
Other benefits	5	3	1	4	2
Total benefits	5	3	1	4	2

education, the number of employees rose from 8.4% to 9.9%.

In an effort to maintain universal access to free medical assistance and education, the state did not commercialise those sectors, and public expenditures on health care and education have remained fairly high.

However, the rise in social expenditures did not prevent a deep decline in popular living standards. The first half of the 1990s was marked by rising unemployment, poverty and income disparities, collapse of the old welfare system and falling life expectancy at birth. In 1995, real incomes were 45% below the 1990 level.

The paternalistic model had thus demonstrated its inability to change the situation.

Deepening financial and budgetary constraints faced by the economy and the social sector made it absolutely clear that social problems could not be addressed simply by increasing expenditures. There could be no working social policy without deep structural reforms. It was also clear that by sticking to the old approaches to social policy, the state could deepen social problems even more, not alleviate them. For example, the current cross-subsidisation of public utilities is increasingly benefiting the wealthier groups of the population, and is doing too little to help the poor.

The second stage in the development of the social welfare system coincides with the transition from a paternalistic model to targeted social support. This transition has only just begun, and is taking much longer than expected. The basic features of the new social model are as follows:

- clear social policy priorities;
- emphasis on efficiency, not the amount of social investments;
- different state policies towards specific groups of the population;
- clear definition of households eligible for social support, based on need;

" separation of functions and duties to conduct social policies amongst social institutions, different levels of government and the budgetary system.

Efficiency and greater focus are important targets of social policy reform. There should be more emphasis on addressing the most critical social problems, and developing new mechanisms to reduce unnecessary public spending and dispose of existing resources in the social sector more effectively.

The cost of various social programmes (excluding health care and education) reached 14% of the GDP in 1999. Pensions, exchange rate regulation, as well as direct and cross-subsidisation constitute a significant proportion of those costs.

A further increase in social spending may be too dangerous for the government to finance and jeopardise economic growth.

Examples of inefficient social spending are abundant in every area, and have to do mostly with untargeted social assistance. As suggested by various analyses, social welfare programmes, with the exception of childcare benefits, are helping the rich more than the poor. As a result, the wealthier part of the population receives more benefits and allowances than the poor.

The distribution of social benefits to households by quintile groups is shown in table 2.8.

As seen from the table, the average monthly amount received in social benefits and allowances is the highest in the wealthiest quintile groups and the lowest in the poorest. Nearly every type of allowance benefits the first, third, and fourth income group more than the poorest 20% (the fifth quintile group). Access to daycare facilities and pre-school education seems to be the only area where this is not the case.

According to international experts, the efficiency of the welfare system (defined as the proportion of welfare funds received by households living below the poverty line) is only 20%, while in most industrial countries of Western Europe this figure ranges between 30 and 50%.

The Belarusian welfare system has extensive coverage, providing subsidies for consumer goods, housing and transport and benefits to certain segments of the population, such as war veterans, Chernobyl victims and families with children. These benefits are normally available to everyone, regardless of need. As a result, they are not aimed at providing targeted support to the poorest households.

Another weakness of the present welfare system is that it mostly targets the urban population. For example, housing benefits are available only to urban households, while rural households, which are often more vulnerable to poverty, are excluded. All of those defects suggest the need for a new, more effective and more targeted social policy. An effective social system should channel available resources into helping the poorest and give the rest the opportunity to provide for themselves and their families.

TABLE 2.9

Social development indicators in Belarus in relation to critical levels			
Indicator	Critical level	Current value in Belarus, 1999	Social ramifications if critical levels are exceeded/not reached
Fertility rate	2.14–2.15	1.307	Population growth below replacement level
Life expectancy at birth	USA 76.7 United Kingdom 77.2 Sweden 78.5 Japan 80	67.9	Worsening public health
Ageing coefficient (number of persons aged 65 or over relative to the total population), %	USA 12.5 United Kingdom 15.9 Sweden 17.5 Japan 15.6	13	Ageing of the population
Ratio of incomes of the highest 20% to the lowest 20%	5.8	4.0	Increasing gaps in social status and incomes
Proportion of the population living below the poverty line, %	10–15	46.7	Growth of the underclass

Another important aspect of social policy reform is a shift from social support to social insurance. Such insurance should be based on adequate risk assessment, and social insurance payments should be tied to the amount paid into the system. It is this approach that should be the basis for the transition from paternalism to a targeted welfare system.

Targeted social support calls for targeted distribution and disbursement of social transfers. The organisation of the welfare system should also be reviewed, in order to give the local communities and local governments a greater say in managing it. Global experience suggests that local management of social welfare makes it more targeted and effective.

It is hoped that the changes in the social policy model will support the abandonment of paternalistic approaches and progress towards a moderately liberal welfare system. In the short term, social policies should uphold social stability, maintain a balance of social and economic interests among various groups of the population and support economic advancement.

Social stability could be maintained by eliminating the biggest social threats, such as poor living standards, poverty, threat of mass unemployment, depopulation and falling life expectancy.

Some social indicators have already exceeded critical levels (table 2.9).

Successful transition from one social model to another depends greatly on the state of the economy. An efficient economy results in higher living standards and reduces the need for income support. A booming economy also increases the capacity of the state to support its citizens by expanding the taxation base. Economic and social policies should be closely linked together. Lack of such coordination is one of the biggest weaknesses of today's socio-economic policies.

The present economic policies - especially in areas such as taxation, foreign trade and pricing - are not conducive to effective employment, personal income growth,

improvement of working conditions, growth of social insurance and targeted support for the most needy. Therefore, any social policy reform should be supported by appropriate changes in economic policies.

Employment policies

The government implements employment policies through active or passive intervention. The main source of funding for such intervention is the State Employment Support Fund. The Fund is the source of unemployment benefits and covers the cost of activities aimed at job creation and employment support.

Active employment policies are aimed at increasing employment by supporting job creation, organising community works, training and retraining of staff, promoting employment of underprivileged groups, providing tax reductions and extending loans.

Despite all of those efforts, the employment situation remains difficult and controversial. Its main characteristics are:

- low official unemployment (1.9% of the work force in December 1998, and 1.7% in December 1999);
- high hidden unemployment and shadow employment. To avoid mass layoffs, many companies are sending their employees on mandatory unpaid leaves or make them work shorter hours. In 1999, there were 162,000 employees who were working short hours (4% of the work force) and another 153,000 (4%) on mandatory unpaid leaves. The rate of hidden unemployment is estimated at 10%. Shadow employment has also become very common. In addition to full-time employment, many are working two or three jobs, or become involved in trade and intermediary activities, often while being registered as unemployed;
- Fluctuation movement of personnel remains the only source of supply on the market. The majority of unemployed left their employers voluntarily. This suggests that Belarus has widespread friction unemployment,

while structural unemployment (caused by bankruptcies and personnel cuts) is virtually absent:

- The gap between the supply and demand for certain types of work force. Eighty per cent of all vacancies are for manual workers, whereas 40% of all job seekers are skilled personnel with higher or upper secondary education;

- Low job replacement rates and existing professional and territorial gaps in the demand and supply for labour. There were 101400 job vacancies filled from January to September 1999 and 1348 people who changed jobs. Most of those people were moving from one existing job to another, of which the majority were low-paying. Of the total number of unemployed, low-skilled or unqualified workers prevail, despite a growing demand for a skilled work force, especially in Minsk. There are also substantial regional differences in the state of the labour market;

- As an increasing number of unemployed are having difficulties finding a new job, the average duration of unemployment has increased. One in every four unemployed has been registered with the employment services for over six months. Such long periods of unemployment are having a negative effect on the job seeker's motivation to work;

- Employment in private enterprise has dropped significantly, mainly as a result of high taxes, difficulties in gathering start-up capital, inadequate legislation, and low efficiency of the business support infrastructure;

- The social background of the unemployed is changing rapidly. Recently, the number of officially unemployed with higher education has declined, while the number of unemployed with secondary education has increased. There is a growing proportion of younger people registering as unemployed. More than 50% of all unemployed registered in 1998 and 1999 were young people aged 16 to 29. Women's unemployment still remains a major problem. As most job vacancies reported to the employment services are more suited for men than for women, women have fewer chances of finding employment. As a result, the proportion of women unemployed has reached almost 65%.

- The size of unemployment benefits is very low. The average unemployment benefit represents only 6% of the average monthly wage, which is one of the lowest figures in the CIS. This discourages a large number of unemployed from registering with the employment services and often pushes them into shadow employment.

Solutions to the above problems should be found if the economic reform is to proceed. New approaches to employment policies are necessary. So far, these policies have emphasised the need to prevent mass unemployment and neglected the important issues of labour efficiency and labour reform. Proper attention to those issues should increase the individual's responsibility for his own well-being.

Wage policies

Wage policies

The present wage levels are a disincentive to productive labour. The current wage policies do not encourage enterprises to review their employment structure and are not conducive to a reduction in income disparities or poverty alleviation. An analysis of real wage dynamics in Russia and Belarus reveals that relative to 1990, real wages in Russia have declined more than in Belarus. In 1999, real wage levels in Russia were 23-6% of 1990, and in Belarus, 85.3% (table 2.10).

In Belarus, real wage size reached a low of 56% of the 1990 level in 1995, but has been rising steadily since that year. In Russia, real wage levels relative to 1990 have been falling continuously throughout the 1990s.

However, Belarus has lost this advantage over Russia due to high inflation. Despite high real wage levels, the ratio of the average monthly wage to the subsistence minimum is 192.8% in Belarus, as opposed to 237% in Russia. From December 1998 to December 1999, this ratio had increased by 119% in Russia and 100.1% in Belarus. This difference can be attributed to the fact that over the same time period the minimum subsistence level had increased by 134.3% in Russia and 432.8% in Belarus. As a result, the monthly wage in Russia has higher buying power than in Belarus.

Low wages, especially when delayed, affect employee morale, may lead to conflict in the workplace and often cause the employee to seek additional employment.

There are also considerable wage disparities between the manufacturing and non-manufacturing sectors, as well as among various industries, regions and even enterprises. In 1999, the industry wage disparity coefficient reached an unprecedented level - 5.0.

Budgetary employees are especially underprivileged, as their wages represent just 86% of the average wage level in manufacturing industry and are not seen as a fair compensation for their work load and job performance. Attempts to raise the incomes of budgetary employees by raising the basic pay grade in the National Pay Scale have proved ineffective, as they are usually followed by even greater wage increases in the manufacturing sectors. All of these unfavourable trends indicate the need to review and modify the current income policies.

Social welfare

The present social welfare system has three components - social insurance, social assistance and social services. Social insurance programmes provide partial compensation for the income lost due to retirement, tempo-

Wage dynamic in Russia and Belarus, 1990–1999

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Real monthly wage as % of 1990:										
• Russia	100	97	65	65	60	43	49	51	44	35
• Belarus	100	104	91	85	59	56	59	67	79	85

TABLE 2.10

TABLE 2.11

Pension support indicators					
	1990	1995	1998	1999	January-March 2000
Real monthly pension as % of 1995	—	100	99.9	99.3	—
Average monthly pension as % of:					
• minimum consumer budget	—	55	57	49	53
• average monthly salary	40	43	37	36	38

rary disability or unemployment. These programmes are funded from social insurance funds. Thus, unemployment support, temporary disability compensation and pensions are considered an earned benefit and not a charity.

Government welfare support is provided to individuals who cannot provide for themselves, including disabled people and households with dependent children. These programmes are being funded through taxation. Eligibility for such support depends on the applicant's ability to prove their need. Applicants are required to provide documented proof that their incomes are low, and therefore they are supposed to be poor. Social support is also provided to certain groups of the population, such as the disabled, war veterans and Chernobyl victims, among others.

Social sendee programmes are just beginning to develop. Such programmes will provide medical and personal services, counseling, legal and advisory support, and facilities for social adjustment and rehabilitation of individuals and families in difficult circumstances.

Belarus has a state-managed system to insure citizens against social risks - such as temporary or permanent disability due to illness, an industrial accident or a professional disease, loss of breadwinner, retirement or unemployment. Funding for such insurance is governed by the laws "On the Budget" and "On Basic Social Security", and is provided by the state budget and state insurance funds, notably, the Social Welfare Fund and the Employment Support Fund. There are virtually no independent social security systems.

The greatest difficulties have been encountered in pension and unemployment insurance. The present pension system is based on the principle of solidarity. The money to disburse pensions is received from employees and employers, who pay a certain percentage of their wages and of the payroll fund to support the pension-age population.

The pension support system now covers 2.5 million people. The law provides for two types of pensions - work pensions and social pensions. Work pensions are paid to citizens who were eligible for social insurance at the time of employment. Those citizens - and their employers - will have paid fees into the system throughout the period of employment. Citizens above retirement age, who are not entitled to a work pension, are paid a social pension.

In order to maintain the living standards of pensioners, the size of work pensions is tied to the average monthly wage, and work pensions are recalculated every time the average monthly wage increases by more than 10%.

Starting from January 2000, minimum pensions have been calculated according to new rules. The minimum old age pension has been set at 25% of the minimum subsistence budget. A bonus of 15% of the average minimum wage is paid on top of this amount. Social pensions are calculated as a percentage of the minimum work pension. Pensions are raised regularly to match the rise in the minimum subsistence budget (table 2.11).

The depth of these problems calls for a remodeling of the pension system. Given the economic crisis and financial difficulties, any pension reform should lead to a redistribution of available resources within the pension system itself.

Social old-age and disability insurance should build on compulsory contributions to the system which should cover the full costs borne by it. Some steps in this direction have already been made. The pension reform concept, drafted and approved by the Council of Ministers on April 17, 1997, calls for the transition to a three-tier system. Its basic level is formed by social pensions, and the second and third tiers are represented by work and private insurance pensions. A law on mandatory social insurance is expected to be drafted later in 2000.

It is also proposed to raise the age of retirement¹ or make it flexible, restrict the right to early retirement and tighten eligibility requirements for disability pensions. A social welfare reform should call for a transition from paying long-term disability allowances to rehabilitation, which is less costly to the system, and an individual approach to pension calculation, depending on the recipient's financial situation. The new pension system will be based on an assessment of every individual's input. The law that mandates such an assessment has already been drafted. It will take effect in selected areas of Belarus starting January 1, 2001, and nation-wide starting from 2003.

Unemployment security also has a number of issues to address. Individual members of the work force, who are active players in the labour market, do not contribute to the unemployment insurance system directly. Their unemployment insurance is covered by the employer. There are no individual insurance accounts, which affects the effectiveness of the system. In addition, eligibility requirements for unemployment benefits are too lenient, and consequently, the unemployment benefits are too

¹ The age of retirement in Belarus is relatively low - 55 years for women and 60 years for men. In most other countries, it varies from 60 to 65 years, and the age of retirement for men and women is equal in most pension programmes. The pension systems in foreign countries also set the minimum period of insurance at 5-45 years, depending on the country. In most countries, it is at least 15 years.

low. Such policies are certainly benefiting the poorly skilled and low-paid workers who are not interested in finding permanent employment. In addition, those rules encourage reliance on state subsidies and do not provide effective compensation for lost income. It is not surprising, therefore, that households with unemployed members have very high chances of lapsing into poverty.

Such a soft approach to unemployment may have serious implications in the event of mass bankruptcies and personnel cuts. Belarus may become a country with a high level of chronic unemployment. In order to address this threat, the government should review its approach to unemployment insurance. It may be useful to tighten eligibility requirements for unemployment support, such as a certain minimum period in the work force; a minimum wage size, and a waiting period. It is also necessary to raise the size of unemployment benefits to a level that would enable the state to pursue effective policies in the labour market. While reforming the unemployment support system the state should apply, where possible, the relevant approaches and policies of the EU countries.

The existing welfare programmes are also ineffective. Their main weaknesses are as follows:

- The welfare distribution system is poorly targeted and covers a large proportion of the population. The law "On the Subsistence Minimum in Belarus" mandates welfare support for all households whose per capita incomes are below the minimum subsistence budget. However, if this requirement were applied, more than 46% of Belarusian households would be eligible for welfare. This formalistic approach may put an unrealistically heavy burden on the economy. The experience of industrial countries and transitional economies suggests that no effective social welfare system could provide support to more than 10-15% of the population. Therefore, the government has made a decision to set more specific priorities within its welfare system. The Cabinet of Ministers resolution No. 1254 defined the groups of citizens who are the most eligible for welfare support. They are invalids in grades 1 and 2, single pensioners, families with many children and single parent families, citizens looking after grade 1 invalids, persons aged 80 and above, certified by a disability assessment board as needy of permanent care, and regis-

tered unemployed who comply with the rules of unemployment registration.

- The existing poverty assessment practices are largely inefficient, because they overstate poverty and fail to identify the poorest groups of the population who need targeted support. The official definition of poverty is tied to the minimum subsistence level. The minimum subsistence level, in turn, is defined on the basis of the minimum consumer basket. The assessment of this basket is inadequate in many ways. First, it overstates the consumption of fat and excludes property such as private gardens, dachas, garages and vehicles, which are important sources of income to many families. As a result, the minimum subsistence level is also overstated. In December 1999, for example, the amount of overstatement was 18,000 denominated roubles, or 54% of the average monthly wage. In this light, it is unrealistic to support all low-income citizens who are earning less than the minimum subsistence budget. Its assessment is over-exaggerated, and could not be used as a basis for welfare policies because it is inconsistent with the financial capacities of the state. Faced by similar financial constraints, the governments of many other countries have had to lower the level of eligibility for welfare support below the official poverty line. This level is constantly reviewed, depending on the state of the economy, as well as income and poverty dynamics. In order to ensure flexibility, eligibility level is usually not linked to any particular indicator, such as the minimum or average monthly wage or the minimum subsistence budget, but depends on the amount of public funds available to finance welfare programmes. In Estonia, welfare is disbursed to persons whose incomes do not exceed 12% of the average monthly wage, in Kyrgyzstan, 10%, and in Bulgaria 16%.

- The existing welfare system does not meet the needs of the poorest and does not protect them from the impact of consumer price growth, resulting from price liberalisation and elimination of cross-subsidies. A targeted social welfare system should aim to protect the poorest and most needy citizens and households. Therefore, it should incorporate an effective needs assessment mechanism. Aid can not be provided solely on the basis of an income declaration - incomes can often be concealed. Any

BOX 2.6

The European commission on unification of social policies distinguishes two different types of social policy.

The first, known as the Bismarck policy (named after its founder, the German chancellor Bismarck), links social support to work performance and record. Social benefits are earned through lifetime contributions into the welfare system and perform the function of delayed income. Social security payments are made out of insurance funds, managed jointly by employers and employees.

Responsibility for financial stability and expenditure of welfare funds rests with the management of those funds. It is also believed that these funds should not receive support from the budget, because any such support is inconsistent with the principles of social insurance on which those funds operate.

Underprivileged households can benefit from national solidarity plans, implemented through local welfare agencies or charitable organisations.

The second type, known as the Beveridge plan, is based on the right of every individual to social support in the event of an illness, retirement, or in any other circumstances that limit his ability to provide for himself. The countries that have chosen this system have mandatory disability insurance plans and provide the elderly with so-called "social pensions", as opposed to "professional pensions". Funding for such a system comes through taxation. The Beveridge plan is thus based on national solidarity and equitable distribution of benefits, and is applied in the UK and Scandinavian countries (such as Sweden).

such decision should also reflect the applicant's possessions, and his opportunity to derive income from those possessions. Other factors should also be considered, including the applicant's disability or the need to look after disabled members of the family, opportunity to receive support from other members of the family, or lack of permanent housing. The principles to establish need could be different, and be based on a combination of the above factors.

Government welfare projects and programmes should protect the poorest citizens from the negative effects of price liberalisation. In order to prevent a rise in inflation, preference should be given to non-cash methods of welfare distribution, such as food stamps or certificates. Reduction of cross-subsidies for public utilities may increase the number of households eligible for direct support. However, the total cost of such support may not exceed the amount of subsidies paid to utilities companies.

The subsidisation system should be improved by cutting aid to wealthier households or households that are potentially capable of supporting themselves. To this end, low-income citizens may be paid cash compensations or vouchers to cover the cost of public utilities. In addition, incentives should be introduced to save energy and many of the existing housing benefits should be phased out.

Support for families with dependent children also has room for improvement. Today, more than 1,000,000 people are receiving various types of benefits. From 1996 to 1999, the size of those benefits had increased 3.8 times. Similar to the other republics of the ex-USSR, Belarus provides child support benefits on the basis of universal coverage, specific approach to different categories of recipients and income assessment. In absolute terms, child support benefits are relatively high and represent a significant proportion of poor families' income. The overall cost of such benefits to the public is the highest in the CIS.

The biggest problem with child support benefits is that they are poorly targeted and not focused enough. If adequate focus had been made on supporting the poorest families, the positive impact of such support would have been much higher, and its overall cost to the public substantially lower. In addition, child support subsidies are being disbursed through employers, which may lead to duplication of payments and other irregularities. It would therefore be appropriate to follow the experience of other countries, which disburse child support and other social benefits through the welfare departments of local administrations. In many countries, such an approach is combined with a simplified procedure to apply for welfare support. Disbursement of child care benefits and pensions through the local authorities in the Baltic states has improved the efficiency of those expenditures. A similar approach has been successfully applied in several provinces of the Russian Federation. It should also be noted that the application of this procedure does not require additional staffing for social welfare agencies.

Role of science and culture in fostering social change

Belarus has a significant capacity for scientific research, which can and should serve to promote human

development and address socio-economic problems. According to the Ministry of Statistics, 272 organisations were active in the science and technology sector in 1999, including 138 research and development institutions, 45 design bureaus, 21 project developers, 34 higher educational establishments and over 30 other scientific research institutions.

The Belarusian science and technology sector developed when Belarus was a part of the USSR, and was oriented mostly for meeting the needs of the USSR economy, and particularly its military industrial complex. Some sectors of the Belarusian economy, on the other hand, had no Belarus-based research and development institutions to support their development and operation. This situation had a serious negative impact on many research institutions in Belarus when the Soviet Union collapsed. Many of them lost their main customers outside Belarus and found that their services were not needed within the country. As a result, the Belarusian science and research capacity has been in steady decline since 1991. The number of science and research employees reduced from 102,600 in 1990 to 43,700 in 1999. From 1990 to 1999, the proportion of science and research workers, relative to total work force, reduced by more than one-half. This was accompanied by a rise in the involvement of tertiary teaching staff in scientific research (fig. 2.6).

Relative to GDP, research and development costs dropped 2.6 times, from 2.27% in 1990 to 0.82% in 1998. The highest proportion of research costs to GDP has been achieved in Japan (3%) and the United States (2.4%).

At present, most public funds allocated to science and research are being spent on staff wages and utilities, and are insufficient to maintain the nation's science and research capacity on an adequate level. A significant decline in public funding has made it necessary to address two problems at the same time - to reform the science and research sector and to maintain its capacity. The government's action to resolve this predicament has softened the blow of the crisis and preserved a significant part of the sector's capacities, enabling it to retain its leading position in a number of key areas of modern research.

It should also be acknowledged that despite the depth of the crisis, recent developments in the science and research sector provide some examples of its successful adjustment to the new economic environment. Belarusian science has become more open and democratic, and an increasing number of Belarusian scientists and research institutions have participated in international conferences and scientific programmes. Ideological restrictions and tough administrative control have also disappeared. The creation of market-driven mechanisms to support science and research has been another healthy development. Money for research and development projects is being distributed on a competitive basis through various funds, and targeted research and development programmes are being developed and implemented. A total of 34 state research programmes and over 150 innovation projects were being executed in 1999. More than one-half of all public spending on science and research is allocated to these programmes, which address the specific needs of numerous sectors. Here are just some of the programmes and projects implemented in the social sector:

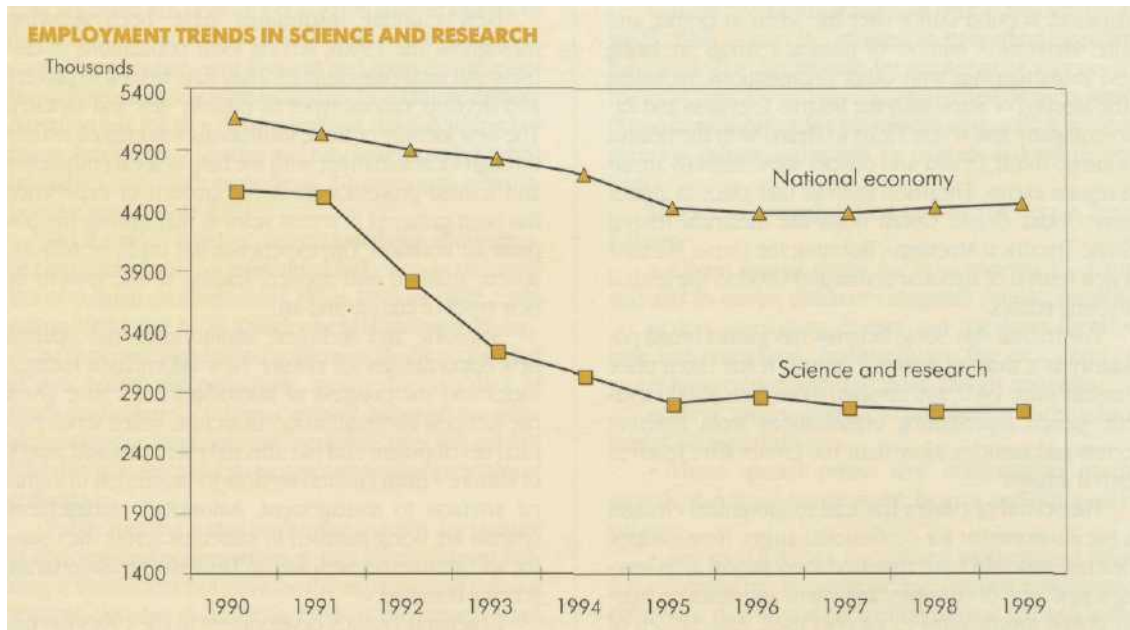


FIGURE 2.6

- A comprehensive action plan to provide social support for the Belarusian population;
- State programme "Culture";
- State programme to support children and youth with creative talents;
 - The housing programme;
 - State programme "People's health";
 - State programme to promote sport and tourism;
 - National programme "Women of the Republic of Belarus";
 - Presidential programme "Children of Belarus", including the sub-programmes "Children of Chernobyl", "Disabled Children", "Orphaned Children". "Social Services for Families and Children" and "Development of the Baby Food Industry";
 - A programme for the needs of elderly people;
 - A comprehensive state programme to develop education.

Culture is an important factor in the rebirth of a new society. Culture and arts institutions are essential for the state, as they support spiritual freedom and contribute to the growth of national self-identification. Through these institutions, the achievements of culture and art can serve the public, including the most vulnerable groups of the population.

The development of culture should expand the opportunities for the social, economic and spiritual advancement of the Belarusian society. Reflecting this overriding need, cultural policies address the following priority areas:

- Protecting the nation's historical and cultural heritage;
- Supporting the uniqueness of the national culture;
- Promoting amateur and professional arts;
- Developing the national language;
- Protecting and popularising authentic folk-lore, promoting traditional arts and crafts;
 - Building healthy moral values, ideals and traditions in a way that accommodates the needs of ethnic Belaru-

sians and other ethnic communities within the country;

- Expanding cross-cultural links and cross-fertilisation of different countries.

The historical and cultural heritage of the nation is a prerequisite to its civilised development and a source of its spiritual energy. Protection of this heritage is the primary responsibility of the state. Recently, Belarus has achieved visible progress in rebuilding national monuments, remembering the names of its outstanding citizens and reviving its best national traditions. The new seven-volume collection of historical and cultural monuments of Belarus, and the book "The Era of Mikhail Xcophas Oginsky and his Music", which explores the life of a celebrated Belarusian-born composer, have shed new light on Belarusian cultural history. There have also been a number of other scientific publications, encyclopaedias and reference materials that have contributed greatly to the study of Belarusian culture. However, some aspects of cultural heritage - and certain types of cultural monuments - have not been sufficiently studied. Many historical monuments are in poor condition, indicating the need for a specific programme to study and protect historical and cultural monuments.

Traditional culture is a major element of Belarusian cultural life. Such culture exists in two different forms - as folk art, widespread in rural areas, and various types of amateur art, common in both urban and rural areas. With extensive support from the state, amateur art is one of the most productive means of introducing large segments of the population to culture. In conjunction with the departments of culture of regional executive committees, the Ministry of Culture organises annual cultural events and festivals, such as "Artists for Rural Workers", "Art for Children and Youth", "Belarus Musical Autumn". Some local musical festival are extremely popular with the public, such as "The Slavic Bazaar" in Vitebsk, "The Golden Hit" in Mogilev, "Music in Polesse", "The Muses of Nesvizh", the Polotsk-based International Festival of Old and Modern Music and International Festival of Organ Music, as

well as "A Ropund Dance over the Sozh" in Gomel, and "After-Harvest". A number of musical festivals are being held in partnership with other organisations, including "The Meeting of Stars" with the Belarus "television and Radio Company, and "From Heart to Heart" with the Belarus Union of Youth. Drama and puppet show festivals are also regular events. Theatrical festivals take place in almost every Oblast. Gomel Oblast hosts the theatrical festival "Slavic Theatrical Meetings", Bobruisk the Dunin Martsinkovich festival of national drama and Grodno the festival of young talents.

The festival "My Song, Belarus" has gained broad popularity as a show of amateur culture. It has taken place annually since 1990, and involved more than 30,000 amateur groups representing organisations from different sectors and agencies. More than 100 groups have received festival awards.

The revival of culture has led to substantial changes in the environment for professional artists. New troupes, theatres, museums have appeared. Professional art is serving a new type of customer and client and relies on market driven mechanisms to support itself. Associations of creative artists still play a visible role in professional art. Thirteen creative associations have been registered to date, with a total membership of 8,000. Such associations not only offer legal and social support to their members, but also serve to promote the national culture, maintain cultural traditions. Art schools expand cross-cultural exchange and raise the attraction of the creative profession. Creative associations are becoming a link between the artist and the market as they are well-positioned to access essential market information and help their members advertise themselves.

New cultural institutions have been growing throughout the 1990s, serving local populations in districts and rural communities. They have helped to protect and develop various types of popular arts and tapestry. The new identity of these institutions was created mainly through local initiatives, with the help of local enthusiasts and trained professionals. A fair amount of experience has been gathered in recent years in maintaining the popular art tradition. This experience has yet to be fully assessed, analysed and applied, leading to the growth of new types of culture and art.

Scientific and technical advancement has opened new opportunities for culture. New information technologies and the progress of microelectronics have given rise to a new information infrastructure, which serves cultural development and has affected every part and aspect of culture - from cultural services to protection of cultural artefacts to management. Automated management systems are being installed in museums across the country, and an Internet web site on Belarusian traditional art is being designed.

In general, cultural development in the 1990s has been affected by two conflicting trends. In addition to conventional types and institutions of culture (e.g. literature, libraries, museums, performing and fine arts), new types of cultural institutions and sectors have appeared, many of which are making a profit. Some of the those lucrative new areas are cable and satellite television, audio and video production, and advertising. The rise of those sectors brought revolutionary changes to the market of cultural services. Their dependence on advanced technologies widened the definition of culture to include areas such as manufacture of audio and video equipment. Culture is

BOX 2.7

Directions of modern cultural policies

Today's approach to culture should serve to increase its influence on human behaviour and all aspects of human relations within society. It is important to note that the basic world views typical of our civilisation were brought into our culture during the era of enlightenment. The ideas of this era have led us to understand to what extent society, its economic and political life, can be influenced by culture. With time, the tendency to identify cultural and social development with each other gained popularity. And at the dawn of the 21st century, there came the understanding that social changes are motivated mostly by culture.

This understanding brings a number of practical steps to the society's agenda - such as encouraging all types of creative activity among the greatest possible proportion of the general public, protecting the people's cultural heritage, strengthening social support for cultural workers and improving the nation's cultural advancement.

Culture is the most critical component of society. The people's cultural advancement reflects the society's economic development, as well as its social, political, ideological, educational and spiritual maturity. There are different problems that are still waiting to be solved - some of which are directly concerned with the nation's intellectual growth, social psychology, science, education, physical training and sport, as well as religion and other aspects of culture.

Today, culture is experiencing a negative impact from the economy. Therefore, cultural policies should be based on a realistic assessment of society's resources and address the most critical areas of cultural development.

We believe that today's cultural policies should target a number of priorities, of which strengthening the base for democracy is the most important. Applied to cultural policies, democracy should mean the right of every member of society to access cultural heritage and to have no barriers to his involvement in creative and cultural activity. The state should maintain the national culture at a level that would enable a future economic and spiritual revival of the country and society, guarantee continuity of culture and protect the cultural identity of the Belarusian people.

Sosnovsky, A. V.
Minister of Culture of the Republic of Belarus

Source: Newsletter of the Presidential Administration. Issue 7. pp. 74-75

now regarded not only as a generator and depository of cultural values but also as an important sector of the economy that generates employment and spurs the development of research intensive industries. In addition, democratisation has led to a rapid growth in the publishing business. Publication of books and brochures rose 2.2 times, magazines and other periodicals 2.2 times and newspapers 2.6 times (table 2.12).

On the other hand, economic instability and decreased attendance led to a substantial reduction in the number of cultural establishments. From 1990 to 1999, 1,366 culture clubs and 1,023 libraries were shut down. Libraries are experiencing serious problems with the acquisition of new books and periodicals, mostly due to a lack of funds, particularly of foreign currency. Although the overall funding for museums has increased, they still cannot afford to buy new exhibits to supplement their traditional collections.

Public funding is also inadequate to keep the number of concerts and performances at past levels. Current funding is insufficient not only for the expansion of cultural services, but also to maintain them at the present level. This situation has a direct impact on the cultural and spiritual development of the nation.

In order to successfully maintain, protect, and develop the national culture, funding for cultural programmes should not fall below 3% of total budgetary expenditures, as required by the law "On Culture". Only then could the cultural sector be able to return to the 1990 levels of development.

Today, it is unrealistic to expect the public to cover a greater proportion of the cost of cultural services. Such expenditures are simply not included in the consumer budget and are not adequately indexed. Effective consumer demand is falling across the board, particularly for the services of cultural establishments. Hopes for sponsorship as a significant source of support for art have proven unrealistic, chiefly because the present taxation system provides no incentives for it. As a result, the state budget continues to remain the only reliable source of money for culture. And cultural development still remains closely linked to public spending. Insufficient funding is preventing culture from meeting the society's high expectations and needs.

The enactment of presidential decree No. 328 on June 23, 1998, is seen as a measure to strengthen incentives for artists. The decree calls for greater state support for the most critical cultural programmes and projects, introduced annual prizes for prominent outstanding achievements in culture and grants for cultural and artistic projects.

The annual awards introduced by the decree are as follows:

- Eleven special prizes for achievements in culture and arts in eleven different categories (music, theatrical art, fiction, journalism, cinema and television, architecture and renovation, traditional art, fine arts, choreography, mass culture and the circus, and art reviews);
- Three special prizes for contribution to the education of young artists;
- Three special prizes "For contribution to the growth of cultural ties between Belarus and other countries";
- Six special prizes for cultural workers and artists for achievements in aesthetic and cultural education of Belarusian people and promotion of new spiritual values in the areas of: museums, libraries, artistic work.

Individual grants are provided to:

- composers, artists, theatrical and film directors, writers, architects, designers and traditional artists to support work on new pieces of art;
- Individual artists for participation in major international events, including competitions, festivals and exhibitions, as well as for apprenticeships with the leading artists of Belarus, Russia and other countries.

Collective grants are provided to groups of artists or performers, cultural establishments and associations of artists to:

- Implement major theatrical, television or film projects;
- Form museum collections of modern Belarusian art;
- Supplement museum and library collections with objects of particular cultural and historical significance to Belarus;
- Design monuments;
- Produce concerts and shows.

In addition, the government decree No. 715 of June 16, 1997 introduced personal salaries for outstanding

	1990	1992	1995	1996	1998	1999
Public libraries	6239	5751	5367	5276	5229	5216
Books and journals in public libraries, millions of copies	93.3	89.2	80.9	79.5	78.7	78.3
Clubs	6030	5329	4858	4696	4674	4664
Museums (including branches)	111	130	146	149	156	135*
Professional theatres	21	23	24	24	26	27
Commercial film projectors	6916	4658	3780	3369	3244	3141
Book and brochures published, standard printed pages	2823	2364	3205	3809	6073	6064
Journals and periodicals	129	155	225	269	318	331
Newspaper titles	224	348	494	512	580	590

* Excluding branches

TABLE 2.12

artists. Personal salaries may exceed the wages mandated by the National Pay Grade, by up to 100% and are payable from the payroll fund.

The Ministry of Culture and individual cultural establishments are in active search for new sources of funding. New approaches to the funding of culture are proposed in the thematic plans "Culture and the Market" and "Restructuring of Cultural Institutions", as well as the state programme "Cultural Development up until 2005". These documents propose new models of funding for social services, including culture, calling for a variety of sources and a certain minimum guaranteed by the state. Cultural establishments could potentially raise some of the money necessary for their upkeep by charging fees for their services. In fact, cultural establishments began to charge fees in 1985, and the number of paid services has since tripled. Culture palaces, clubs, recreation parks and other cultural establishments are now providing more than 100 different types of services, many of which had previously been free. However, the nature and specifics of this sector makes it unlikely that it will expand its commercial activity in the future, particularly in view of falling effective demand for services in general.

As culture plays an important role in personal development, but is short of funding, it is essential:

- To strengthen government support for existing cultural establishments and artists in order to maintain high cultural standards;
- Define a minimum of cultural services that should be provided at budgetary expense, but at no cost to the public;
- Diversify the sources of funding for cultural establishments by increasing the range of paid services and promoting sponsorship by foreign investors, banks and individuals.

Youth culture

It is generally believed that more than any other social group, youth has a vested interest in the progress of fundamental reforms that have engulfed most post-Communist countries. Unlike most other interest groups - such as pensioners, the former Communist Party apparatus, employees in military industries or rural dwellers - young people have gained more from the reforms than they have lost. Young people have gone into business, learned to work with computers. They have mastered foreign languages and many have been educated in the West. This alone should justify an analysis of the present-day youth culture as a highly relevant and appropriate theme for scientific research. But interest in this subject is not purely scientific. Youth are increasingly becoming an important social factor and, as such, have attracted the interest of politicians and opinion leaders, all of whom would like to know the roles that young people are prepared, and are not prepared, to play in the life of the state and society.

Socio-demographic changes

From 1989 to 1999, the proportion of young people aged 16 to 30 declined by 1.1% to little more than 20%. Over the same time period, the share of older people aged

60 and above increased by 2.8%, reaching 18.8%. The share of young people is expected to decline still further over the next decade, as the proportion of children and teenagers aged 16 or below has dropped by 3% over the last ten years. [1, 68]. The falling number of children and youth creates serious problems for the state and society, which appear even more serious since the decline is not the result of higher life expectancy and improved living standards, as in the West, but of lower birth rates, falling life expectancy and deteriorating living standards. These problems are imminent in the long run, as the social advancement of any state depends on the situation of young people and their prospects for the future.

The family - the primary institution of socialisation for young people - is weakening. According to statistics, the number of divorces has almost doubled over the last ten years, reaching 65 per 100 marriages. There has also been a twofold increase in the proportion of children born out of wedlock - from 8.5% to 17.8%. Unlike most Western countries, where a similar dynamic may be viewed as a sign of expanding opportunities for choice and a factor of human development, it has negative implications for Belarus, where an individual's family status is closely related to his well-being. According to statistics, nearly 30% of Belarusians - mostly children and youth - are dependent on the incomes of older members of their families, which generally do not exceed \$30 per month, as suggested by most opinion polls.

Education

Education is another social institution that determines the outlooks for young people. Overall, the level of education is rising. According to the latest population census, the number of people aged 15 or above with complete higher, secondary or basic education has increased from 77% to 85%. The number of university graduates has also increased from 20.1% to 25.4% of the total population at graduation age. The tendency towards higher standards of education is affecting young people more than any other group. Opinion polls suggest that 44-0% of young people aged 16 to 30 have secondary or vocational education, 26.3% have upper-secondary education, and 21.3% higher and incomplete higher education (compared to 12.2% with secondary or vocational education, 11.5% with upper-secondary and 8.0% with higher or incomplete higher education of those aged over 50).

However, the proportion of graduates from institutions of secondary education has declined from 91-3% to 85-0% in the last ten years. This is a sign of two conflicting trends in youth education - an increasing proportion of young people with higher education and a falling share of young people with secondary education. The continuation of those trends may lead to a growing educational divide among various groups of young people, not a general increase in educational standards, affecting the quality of the nation's human capital.

Economic status and living standards

Education alone cannot guarantee a bright future for young people. Low disposable incomes are an even greater barrier to the advancement of young people than a single parent family or incomplete education. 40.3% of

young people aged under 30 are spending 61% to 80% of their household budgets on the bare necessities, such as food. For another 43%, the cost of such staple goods constitutes 81% to 100% of their incomes. [4, 20]. The remaining income cannot cover the cost of proper recreation, nor can it pay for education. As the proportion of fee-paying students - even in some government-run universities - has reached 50%, it is not surprising that nearly 60% of young people have pointed to insufficient income as their main problem, as opposed to only 36.2% of respondents aged 50 or over (table 2.13). In addition, most young respondents (71.3%) are convinced that their standard of living is declining. Young people represent nearly 50% of all officially unemployed, even though the share of young people in the employment-age population is 1.5 times lower. [3,34 According to opinion poll data¹, nearly one-third of all young people are unemployed - more than three times as many as those aged 50 or over.

The decline in the number of secondary school graduates, discussed earlier in this chapter (from 1997 to 1998, it had dropped 1.5 times), increases the supply of poorly skilled workers with a limited ability to compete in the labour market. As a result of growing competition, employers are increasingly looking for skilled, better trained employees, as suggested by a decline in the number of unemployed with higher education from 6.5% in 1997 to 4-7% in 1998. This limits employment opportunities for secondary school graduates and ultimately leads to higher unemployment. [4, 137]. It is not surprising, therefore, that 63.9% of young respondents, asked to assess their chances of finding good employment, rated them below 50%. [2,20].

Analysis suggests that a policy to create a proper environment for a market economy can do more to improve the living standards of young people than various government support programmes, such as professional training for the unemployed or housing loans for young families. The number of people who have benefited from such programmes is out of proportion with those involved in private enterprise. From January to July 1999, the

¹ This section is based on the findings of several opinion polls conducted by different government and independent agencies:

- Opinion poll among 900 secondary school graduates in Minsk, conducted by the Ministry of Statistics and the Minsk Career Development Centre (December 1997, margin of error did not exceed 0.04).
- National Youth poll conducted in October 1998 by the Centre for Sociological and Policy Research at Belarus State University (1050 respondents aged 18 to 30, margin of error did not exceed 0.04);
- Nation-wide poll by USERS in March 1999 (1700 respondents aged 16 and above, margin of error did not exceed 0.03);
- Nation-wide youth poll (680 respondents aged 16 to 30, margin of error did not exceed 0.04);
- A poll conducted among leaders and activists of 23 leading youth associations (over 100 respondents);
- Nation-wide poll conducted by the Institute of Economic Studies of the Ministry of Economy in April 1999 (1200 respondents aged 16 and above, margin of error did not exceed 0.03);
- Nation-wide youth poll conducted in May 1999 by the Belarussian youth association 'Next Stop New Life' with the support of the Swedish youth association "Peace Quest" (around 850 respondents aged 16 to 30, margin of error did not exceed 0.04).

State Employment Service had referred 1611 young people to various professional training programmes, which represented three quarters of all unemployed who had been offered professional training. [4, P.140]. By contrast, an opinion poll conducted during the same time period revealed that more than 500,000 young people have experience in private enterprise, and over 1,000,000 would like to acquire this experience. More than 15% of young people are presently employed in the private sector, compared to only 1% of the population aged over fifty. The values of the market economy are shared by the majority of young people - not just those with experience of involvement in private enterprise.

One-half of young respondents have indicated a preference for the market economy with low government intervention. This preference was shared by only 31.1% of respondents aged over 50. More than one-half of the young people questioned have stated their willingness to work for a private employer, as opposed to only 14.5% of the poll participants aged over 50. However, this important resource of human development and economic advancement remains unsupported, and even ignored and suppressed. Almost one-quarter of young poll participants involved in private enterprise have indicated their intention to discontinue their business career. The reasons for this situation are very well known. Young people are convinced that the state has tightened control over private enterprise (this opinion was shared by 48% of the poll participants). Another 31.3% believe that the actions of government authorities have become "more arbitrary" towards private businessmen.

From a human development perspective, one may conclude that the Belarussian society is not experiencing a conflict of generations, but rather a conflict of values. The problem is derived from the fact that those different, and sometimes conflicting values, are not shared by the entire younger or older generation of Belarussians. At best, they are predominant within the respective age groups, suggesting that age is not the most significant factor that divides the Belarussian society.

Social and political activity

Some sociologists believe that young Belarussians are divided over their attitude toward government policies and the president. As some sections of Belarussian youth are becoming increasingly involved in politics - albeit at opposite ends of the political spectrum a still greater proportion of young Belarussians are becoming involved in deviant or escapist forms of behaviour. At present, Belarussian youth culture is generally reminiscent of the recent Soviet past. The resulting impression is that Belarussian-style reforms have brought young Belarussians more losses than gains. Indeed, youth culture has undergone some substantial changes.

According to opinion poll data, most Belarussian government and social institutions do not have the trust of young Belarussians (table 2.14).

As seen from the table, there are only four institutions that enjoy a more trusted than mistrusted reputation by young Belarussians - educational establishments, research centres, the Church and the independent media. The common feature that unites these institutions is that they

TABLE 2.13

Sociological characteristics of different age groups, %			
Sociological characteristics	Aged 30 or below (39.9%)	Total respondents (100%)	Aged 50 and above (35.2%)
Socio-cultural background and status			
Education:			
• Elementary	0	15.0	41.2
• Primary	8.3	17.7	26.8
• Secondary or vocational	44.0	35.1	12.2
• Upper-secondary	26.3	18.4	11.5
• Higher or incomplete higher	21.3	13.7	8.0
Social status:			
• Manager of a private-sector company	0.4	1.8	0.2
• Owner or partner in a private business	1.3	0.8	0
• Self-employed	5.0	3.2	0.5
• Private-sector employee	8.7	4.8	0.2
• Public-sector employee	53.1	49.8	23.3
• Student	22.4	6.6	0
• Unemployed	5.6	3.8	1.2
• Pensioner	0	26.6	72.0
Language of daily communication:			
• Belarusian	2.1	3.3	3.9
• Mix of Belarusian and Russian	11.3	27.1	45.9
• Belarusian and Russian	23.5	26.5	25.9
• Russian	61.2	41.9	24.0
Computer users:	41.5	20.3	4.4
Internet users:	9.1	4.2	1.3
Economic preferences			
• a market economy with insignificant government control	49.9	39.0	31.1
• a market economy with substantial government control	30.4	28.4	26.4
• a planned economy	10.6	23.9	35.2
Should the state control prices?			
• Yes	57.9	69.3	79.0
• No	20.9	12.7	7.1
• No answer/unsure	21.2	18.0	13.9
Would prefer to work:			
• in a government enterprise	37.1	58.7	73.1
• in a private enterprise	52.4	30.0	14.5
Unemployment record:			
• Registered as unemployed	12.1	8.2	2.8
• Not registered as unemployed	20.6	15.5	6.7
• None	65.9	74.7	88.0
Have you ever been involved in private business?			
• Yes, and will continue	21.6	12.9	3.6
• Yes, but will not continue	7.9	7.5	3.0
• No, but would like to become involved in future	49.4	30.7	13.6
• Never have and do not want to	21.3	48.8	79.0
How has the environment for private business changed in the last two or three years?			
• The state has significantly tightened administrative control over private business	48.4	34.4	22.2
• Government authorities have increased arbitrary practices against the private businessman	31.3	24.7	18.2
If you started your own business, do you think you could succeed?			
• Yes	10.6	5.8	1.8
• I would like to try, but have no money	36.0	23.1	9.8
• I do not wish to go into business	17.9	32.8	25.4

Source: IISEPS nation-wide opinion poll

TABLE 2.13

Sociological characteristics of different age groups, %			
Sociological characteristics	Aged 30 or below (39.9%)	Total respondents (100%)	Aged 50 and above (35.2%)
Political preferences			
Reasons for the economic crisis in Belarus:			
• Government policies	39.1	30.8	22.4
• Economic crisis in Russia	50.0	50.6	49.6
What should be the relations between Russia and Belarus?			
• Neighbourly relations of two independent states	51.0	43.2	35.5
• A union of independent states	32.2	30.5	29.5
• Merger into one state	16.0	24.1	32.2
If a referendum on the unification of Russia and Belarus were held today, would you vote:			
• For unification	31.2	41.8	51.3
• Against unification	47.5	40.4	33.3
• Would not vote	20.0	14.7	10.1
What do you think young Belarusians lack the most?			
• Confidence of tomorrow	62.4	56.0	47.2
• Material prosperity	59.9	46.6	36.2
• Knowledge of laws	39.1	29.5	20.6
• Industriousness	28.8	41.9	50.2
• Respect for elders	26.0	39.5	24.4
• Freedom	21.9	13.3	5.2
• Professional training	21.3	17.0	11.0
• Communication with their peers abroad	16.8	9.6	3.9
Participation in public rallies:			
Meetings, demonstrations, pickets			
• Have participated	6.9	5.44	3.9
• Are prepared to participate	15.7	13.3	10.6
• Will not participate	49.3	54.7	61.0
Strikes:			
• Have participated	2.1	1.9	0.6
• Are prepared to participate	13.5	11.0	7.6
• Will not participate	55.1	61.1	69.5
Legal preferences			
Life of the Belarusian society is governed by:			
• The Constitution	17.2	23.1	26.1
• Presidential decrees	51.8	56.6	58.4
• Laws	21.5	28.2	35.1
• Money and connections	60.9	49.0	38.3
Which of the following laws makes you the most dissatisfied?			
• 1994 Constitution	21.2	21.3	22.7
• 1996 Constitution	37.4	29.6	22.6
If someone borrowed money from you and would not pay it back, where would you go for help?			
• Police	6.5	14.3	23.9
• Courts	7.2	10.6	15.0
• Acquaintances and connections	21.2	13.8	8.8
• A criminal organisation	13.1	8.2	3.8
• Would try to handle the problem on my own	54.3	42.9	32.0
Who could best protect people's rights?			
• the president	18.7	30.0	42.8
• the people themselves	38.3	30.4	22.7

mostly disseminate knowledge and ideas, which are of greatest value to Belarusian youths. Political parties, the police, local government and the 13th Supreme Soviet rank among the least trusted. They are all institutions of political leadership, some associated with the acting go-

vernment and some with the opposition. The high degree of mistrust in them suggests that young Belarusians are mostly dissatisfied with the way their society is organised and managed. The reasons are obvious. Young people are unhappy with their present role in society and their futu-

re prospects - which many consider to be grim. Responding to the direct question, "What is your assessment of young people's situation in this country?", only 21.7% of young poll participants shared the optimistic opinion that the state respected the interests of young people and that their opinion was being duly considered when making policy decisions. In contrast, 60.9% shared a pessimistic view that the opinion of youth was of no interest to anyone, that young people were powerless to influence government decisions and had no future in Belarus. [2, 15].

However, analysis of the level of trust and mistrust in government institutions among various social groups also suggests that the difference in the number of people who trust and do not trust the president (columns 5 and 6) is far greater than the level of trust and mistrust in the president among members of the older generation (Columns 4 and 1). The difference in the proportion of younger and older Belarusians who share the same political beliefs (as reflected by their trust or mistrust in government institutions and the president - columns 2 and 5) is smaller than the difference in the percentage of young Belarusians who share opposing political beliefs (columns 5 and

6). These statistics suggest that the conflict of generations is only a part of a bigger problem of the Belarusian society - a conflict of values, a division of the Belarusian society along ideological and political lines.

Youth associations

Young people's mistrust in key government and social institutions and dissatisfaction with their present role in the country, has various consequences. There is a certain proportion of young Belarusians who are trying to adjust to the present situation and even use it to their benefit. The present youth policies pursued by the government are in fact directed at the support of such an adjustment. Nearly two-thirds of youth leaders and activists point to the lack of any contact between their respective organisations and the State Committee for Youth Affairs, while 8.3% indicated that the State Committee for Youth Affairs was aiming to control their organisations, 20.3% that they were exchanging information with the Committee, and only 3.7% that their organisation was in close contact with the Committee. This means that any relationship between the State Committee for Youth Affairs and most youth organisations is restricted to information

TABLE 2.14

Institutions of the state and society	Level of trust in key social institutions					
	Aged 50 and above	National public		Total	Young people	
		Trust the president (41%)	Do not trust the president (28.8%)		Trust the president (21.8%)	Do not trust the president (44.9%)
• President	+0.471	+1.000	-1.000	-0.235	+1.000	-1.000
• Educational establishments	+0.436	+0.465	+0.144	+0.237	+0.460	+0.223
• Church	+0.371	+0.436	-0.121	+0.059	+0.304	-0.072
• Army	+0.336	+0.445	-0.289	-0.311	+0.277	-0.324
• Government media	+0.330	+0.608	-0.581	-0.184	+0.453	-0.551
• Government	+0.205	+0.433	-0.699	-0.311	+0.237	-0.718
• Central Election Commission appointed by the president	+0.199	+0.388	-0.712	-0.325	+0.291	-0.770
• Government research institutions	+0.171	+0.252	-0.243	+0.050	+0.201	-0.170
• Non-government research institutions	+0.167	+0.102	+0.202	+0.212	+0.068	+0.246
• Constitutional Court	+0.147	+0.237	-0.415	-0.149	+0.148	-0.404
• General Prosecutor	+0.078	+0.159	-0.481	-0.239	+0.013	-0.478
• The Bar	+0.073	+0.122	-0.219	-0.046	+0.109	-0.183
• Courts	+0.060	+0.160	-0.490	-0.257	0.000	-0.452
• KGB	+0.007	+0.130	-0.503	-0.277	+0.021	-0.508
• Government trade unions	+0.004	+0.153	-0.538	-0.275	-0.034	-0.475
• Human rights organisations	-0.042	-0.016	-0.113	-0.028	-0.047	-0.039
• Local authorities	-0.061	+0.043	-0.593	-0.406	-0.142	-0.600
• Police	-0.074	-0.017	-0.654	-0.449	-0.210	-0.662
• Independent trade unions	-0.092	-0.158	-0.149	-0.172	-0.263	-0.190
• National Assembly	-0.105	+0.030	-0.726	-0.378	-0.061	-0.688
• Political parties	-0.201	-0.223	-0.423	-0.348	-0.297	-0.403
• Central Election Committee of the 13 th Supreme Soviet	-0.229	-0.187	-0.300	-0.263	-0.236	-0.354
• 13 th Supreme Soviet	-0.240	-0.185	-0.465	-0.334	-0.250	-0.480
• Independent media	-0.286	-0.335	+0.107	+0.073	-0.155	+0.177
• Businessmen's associations	-0.287	-0.227	-0.253	-0.111	-0.148	-0.102
• Banks	-0.329	-0.246	-0.504	-0.276	-0.217	-0.371

Source: IISEPS nation-wide opinion poll. The rating of public trust, ranging from +1 to -1, is calculated as a difference between the number of respondents who expressed trust in the listed institutions and those who expressed distrust in them, relative to the total number of respondents

exchange. The Committee's reluctance to establish contacts with most youth organisations and its indifference is more than just a failure to perform its statutory functions, but more likely a part of a deliberate and consistent policy. The presumed objective of such a policy is to support a tiny number of the more than 70 youth organisations and leave the rest to disappear quietly by themselves. It is presumed that this process requires no intervention - just a small amount of monitoring through information exchange.

Extremely limited involvement of youth leaders in the drafting of legislation on youth matters is another example of this tactic of strategic non-intervention. Only 1.9% of the youth leaders polled stated that they had participated in the discussion of a significant proportion of legislation on youth affairs. 14.8% of the youth leaders questioned acknowledged that they had contributed to the debate on some youth legislation, whereas 46.4% stated that they had not been involved in any such debate, and another 36.9% gave no answer [4,48]. But there are some youth organisations that are receiving extensive support from the state. The Belarusian Patriotic Union of Youth is one such organisation, which claims a membership of 100,000. Most youth leaders share the opinion that such extensive support creates a major imbalance between the Union and the remaining organisations, particularly in the area of finance [2, 11].

Some young people, by contrast, are not focused on state support, but rather on protecting and promoting their own interests. There are several dozen officially registered youth associations, representing 15% of the total number of young people, mostly tertiary and secondary students aged 16 to 25, as well as intellectuals, pursuing different political and social agendas. Because of a limited membership base, most of those youth organisations are fairly isolated and elitist groups of the most advanced young people. This perception is confirmed by the findings of another opinion poll which highlights the attitude towards these organisation of the great majority of young men and women, who are not members of any of those groups (table 2.15).

As seen from the table, up to 90% of young people are not aware about the existing youth associations or indifferent to them. Even the Belarus Patriotic Union of Youth, with all the government support that it receives, is viewed negatively or indifferently by 53% of those polled. These data suggest that the organised movement to promote youth interests is still weak and inefficient.

Looking for solutions

The dissatisfaction of youth is expressed through anti-social and deviant behaviour. According to various opinion polls, over 40% of young Belarusians would like to emigrate, mostly to Germany the United States and Poland. This has little to do with the desire to discover other countries and receive an education there - shared by a large number of young people world-wide. The wish of these young people is to leave their home in search of a better life elsewhere. Low trust in the law enforcement authorities leads to widespread skepticism towards the rule of law. According to one opinion poll, three quarters of young people were prepared to break the law if their objective could not be achieved by legal means [2,14]. As seen from table 2.13, the number of young people who would contact a criminal group to protect their financial and property rights is twice as high as the number of those who would seek such protection from the courts or police. Lack of respect for the rule of law contributes to the growing incidence of extreme forms of deviant behaviour, such as drinking, alcohol abuse, prostitution and crime. 18.9% of young people who participated in a recent opinion poll indicated that they had friends or acquaintances their age who were using drugs, 49.9% stated that they had friends or acquaintances who were drinking and 54% admitted that some of their friends or acquaintances had broken the law. It is remarkable that the majority of those polled (593%) were convinced that these people simply needed help to return to normal life and 5.6% supported their isolation from society in prisons or other correctional institutions [2, 15]. These data are a clear indication that young people tend to attribute the deviant behaviour of their peers to the social environ-

Attitude of young people to leading youth associations, %

Name of association	Positive	Negative	Indifferent	Not aware of such an organisation	Index
Belarus Youth Union	21.9	9.3	34.9	32.2	0.129
Belarus Patriotic Youth Union	23.2	16.5	36.5	21.9	0.069
Youth Voluntary Labour League	9.1	3.5	19.1	66.2	0.057
Association of Belarusian Students	8.1	3.4	20.7	66.0	0.048
Association of Young Politicians	8.7	4.3	22.1	63.1	0.045
Youth Front	9.7	5.4	26.5	56.6	0.043
Youth Hramada	9.3	5.4	28.8	52.6	0.040
Next Stop – New Life	4.7	3.2	15.6	74.0	0.015
Civil Forum	3.7	4.7	24.0	65.3	-0.011
Youth Communist League (Komsomol)	6.6	15.7	32.5	42.5	-0.094

Source: IISEPS opinion poll among leaders of youth association. The index of attitude is calculated as a difference between the number of those who expressed a positive view of the organisations listed and those who expressed a negative view of them, relative to the total number of respondents.

TABLE 2.15

ment, and many are prepared to take radical steps to change that environment, including rallies, pickets and demonstrations (22.6%), strikes (15.6%) and even armed struggle (9.1% - see table 2.13). Youth leaders and activists are even more radical. More than one-half have named rallies, demonstrations and pickets as the most effective means of advocating the position of young people, and three quarters believe that in the event of political tensions, young people would be active participants in political rallies. Explaining their views, more than 60% stated that young people had no trust in the present government and would attempt to change it. According to another poll, almost one-third of young people are convinced that a solution to the problems of young Belarusians could be achieved only by changing the course of economic and political development in the country. In Minsk City and Grodno Oblast, this opinion was shared by 49% and 42% of the poll respondents [2, 14].

As suggested by experience, certain policies can be effective in changing the mindset of young people and making them accept the predominant values in society, before they can succeed in changing reality to match their values. The success of such a policy can be ensured by enlisting the support of 15 to 20% of young people, leaving the remaining 80-85% with a hard choice. The more stubborn young people (usually no more than 20-25% in number), who do not wish to adopt the predominant values and abandon their own in order to integrate into society will be gradually pushed to the sidelines of social life. This does not necessarily involve the use of violent means (as in Tianamen Square ten years ago). A similar result can be achieved through a consistent effort to send dissident university graduates to workplaces in remote rural areas or through careful selection of public servants.

As seen from the above data, young people are two to three times more likely to take radical action in response to rising social tension than the older generations of Belarusians. There is little doubt that the effect of such tensions will be the highest among these dissident Belarusians, as will be their readiness to adopt the most vigorous forms of social protest.

Another group of young people, representing at least 50% of Belarusian youth, is having to choose between those two extremes. On the one hand, the path of dissent promises nothing better than a career in a provincial school, teaching literature, physics and physical training simultaneously, or the position of a trader at the Dynamo stadium flea market. On the other, the path of loyalty opens opportunities for more attractive employment in civil service a prosperous enterprise or privileged private business. This means that the old values can be perpetuated, by being imposed on a significant portion of the new generation of young people. The recent history of the Belarus Patriotic Union of Youth offers some insights into the possible tools of achieving this result.

This limited and rigid choice brings few opportunities for young Belarusians to realise their potential, but mostly serves to perpetuate the patriarchal culture of subordination and a psychology of trained helplessness among a large proportion of young people. While radical protests and higher crime rates are by-products of rising social tensions, the culture of trained helplessness can lead to

seemingly inexplicable events - such as the stampede in Nemiga Square which claimed several dozen lives of young Belarusian men and women.

In general, young Belarusians have responded differently to their present predicament. Some have followed the path of regression, while others have taken a side turn from the path of civilised development. There is also a significant number of young people who have continued to explore opportunities for personal advancement and growth. Participation in cultural revival has provided one such opportunity. Dozens of art performances and cultural activities are taking place in Belarus every year. Two thirds of youth leaders and activists we questioned have described these activities as the most effective means of self-expression for young people, ranking far above street protests, membership in political parties and other forms of political involvement. The ongoing religious revival, which has affected Belarus similar to many other post-Communist countries, is another avenue for personal growth. 34.3% of young people aged 18 to 30 questioned in an opinion poll described themselves as believers in God, and another 12.7% in the supernatural. 38.3% were unsure, and 14.7% stated that they were atheists. The majority of young believers in God identify themselves with the Orthodox faith, but are more likely than the older generation to abandon Orthodoxy in favour of Protestantism. This may be attributed to the fact that unlike the Catholic and Protestant Churches, the Orthodox Church has not developed a full-fledged social agenda supporting values of liberty and human rights, which are increasingly gaining young people's acceptance. As seen from table 2.13, the number of young people aged under 30, who think that liberty is what Belarusian youth lacks the most is four times as high as the number of older Belarusians aged over 50 who share the same opinion. However, young people's religious faith is poorly institutionalised. Only 26% of believers aged 18 to 22 and 43.5% of believers aged 23 to 30 go to church regularly. Religious faith is nevertheless viewed positively by most young people. Two thirds of believers and nonbelievers agree that people need religion because it promotes their moral advancement and nearly 60% are convinced that children should have religious education. [4, 202].

Religion is becoming increasingly popular in secondary school. 60% of Minsk's secondary school graduates questioned about their attitude to religion, described themselves as "believers" or "more believers than non-believers-> (29% "believers", 37% "more believers than non-believers"). Only 13-5% stated that they were non-believers or rather believers than non-believers, and 23.8% gave no answer [5, 24]. According to Pavel Severinets, the leader of one of the most influential and high-profile Belarusian youth organisations, the Youth Front, young people can contribute to reforms only with a firm spiritual base and a clear worldview. The new generation of Belarusians, aged 14 to 30, are instinctively looking for faith - faith in themselves, their future, their country and God [4, 206]. The increasing depth of the cultural, spiritual and religious search, and the rising social and political activity of young people are perhaps the most critical factor of human development for Belarus - as a state and as a society.

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Gender aspects of the Belarusian lifestyle

Improving the situation of women and ensuring the equality of men and women is a question of human rights and a prerequisite to social justice
Beijing Platform of Action

The state of the gender balance in society is a benchmark of its progress. The interaction of men and women in society is not only a reflection of its economic advancement and material wealth, but also a function of its culture, traditions and mentality. In modern society, men are known to be less subject to discrimination on the grounds of gender than women. Therefore, gender policies in the modern world are mostly policies that are aimed at achieving the equality of sexes and providing equal opportunities to men and women. However, they should not be approached as if they were made exclusively for women, as stable and effective social development is impossible without equitable treatment of both sexes and a gender balance.

This year has been marked by unprecedented attention to gender issues. The global community is celebrating the fifth anniversary of the Beijing Declaration and Platform of Action, adopted by the Fourth World Conference on Women. By its nature, the Beijing Platform of Action is in fact a document calling for the protection of the human rights of women. The analysis of the gender situation in Belarus, contained in this chapter, is based on a selection of strategic objectives and actions listed in the Platform, notably:

- Women and the economy;
- Education and training of women;
- Women and health;
- Violence against women;
- Women in government and decision making;
- Institutional mechanisms for the advancement of women

Women and the economy

Women represent 53% of the country's population and 52.4% of its work force. They constitute the majority of the work force in sectors such as health care, physical education, social welfare, education, trade and culture. In the latter four sectors they account for 82.9%, 79.7%,

73.2% and 73.6%, respectively, of the total number of employees. The decline in women's employment in various manufacturing industries - with the exception of transport - is also a positive development. To an extent, the structure of women's employment reflects the traditional roles and occupations assigned to them by society. Women's central role in raising children translates into a high percentage of women in education, their traditional position as health care providers in the family is reflected in high rates of women's employment in health care, and the central role played by women in caring for the sick and disabled members of the family results in the dominance of women in social services and welfare.

However, these are exactly the sectors that have always been funded as a last priority, affecting wage levels. In a sense, this situation has led to a certain degree of professional segregation, seen as a disproportionate number of people of a particular sex employed in the worse-paying professions. At the end of 1999, the male to female wage ratio was 100 to 84.9. Wage disparities are the most obvious in finance, credit and insurance, where women make up 75% of all employed, while their wages average as little as 71.4% of their male colleagues. This imbalance is mainly the result of a low proportion of women managers (13.5%) and women lead experts (5.3%).

According to an opinion poll conducted by the NOVAK agency, 11% of women have directly experienced a situation of being paid less than men for the same work. As many as 10.2% have seen this happening to their close relatives and 14.5% to friends and acquaintances.

Poor working conditions for women is another big problem. 31.9% of all women employees are working in substandard working environments. However, most are unwilling to leave their hazardous jobs for fear of losing a source of relatively high income, the benefit of early retirement and other privileges that come with employment in dangerous conditions.

In this respect, improvements to the Belarusian labour law have brought some positive changes. The new Labour Code, enacted in 1999, contains a new article entitled "Regulation of employment of women and workers with family responsibilities". This new article contains a prohibition of women's employment in certain jobs, limits night shifts and overtime hours and affirms the rights of pregnant women in the workplace.

Women encounter greater difficulties than men in exercising their right to work. Employment of a woman implies the need to provide her with certain benefits and social allowances. As a result, an employer would prefer to hire a man, rather than a woman, and personnel cuts are more likely to affect women than men. This tendency is confirmed by the gender structure of unemployment. Women represent 64.2% of the total number of unemployed. In recent years, however, the proportion of women unemployed has remained constant and has even declined somewhat from 66.7% in 1997. But a typical unemployed person is still a woman with upper-secondary education, aged 20 to 34.

The majority of women unemployed lost their jobs as a result of personnel cuts, enterprise closure or reorganisation. Voluntary resignations by women, although less common, are not in fact voluntary in many cases. Accord-

ding to opinion polls, the most common reasons for such resignation are family situations (33-6%) and poor health (13.6%). Opinion polls also suggest that nearly one-half of all women who resigned voluntarily (47.2%)¹ had done so under pressure from their employers. Unlike women, most unemployed men left their employers voluntarily, and only 14.1% became unemployed as a result of personnel cuts.

Women have more difficulty than men in finding employment. This statement is confirmed by data on the period of unemployment for men and women. Only 5.1% of unemployed women became re-employed within one month of losing their previous jobs, while the proportion of women who had been unemployed for six to twelve months is 61.7%, and 32.1% of women unemployed have been jobless for a period of more than one year.

The true motives for cessation or denial of employment for women are obscure, because the reasons stated by the employer are never directly related to the applicant's or employee's gender. However, the personal perceptions of women job seekers suggest that the problem still exists. In the opinion of 26.8% of the women polled, their job applications had been turned down because they were below or above the age desired by the employer, 13-9% because they had small children and 9.8% because of the employer's reluctance to hire a woman.

The presence of this problem is also confirmed by the attempt of the law to regulate this aspect of employer-employee relations. Under the Belarusian Labour Code, an employer is required to provide a written statement of the reason for not hiring an employee who is a pregnant woman, has one or more dependent children aged under three, one or more dependent children aged 3 to 14 or disabled children below the age of eighteen. It was assumed that this would make it easier for a woman to challenge her employer in court. However, this requirement of the law has failed to provide effective protection for women. As stated in the Belarus National Report on the Implementation of the Beijing Platform, Belarusian courts had considered only 29 lawsuits from women employees from 1994 to 1999. In 17 of those cases, the rulings were in favour of the plaintiffs.

Unemployment can effectively be reduced through professional training and retraining programmes, promotion of self-employment and support for the acquisition of new trades and professions by the unemployed. Women have a higher interest than men in participating in such efforts. In addition, 17% of unemployed women would like to start up a business, preferably in sectors such as personal services and public catering.

At present, the problem of women's unemployment does not look serious, as the official rate of unemployment remains low. However, massive personnel cuts that may result from further transformations in the economy may eventually lead to the feminisation of poverty and pauperism. To counter this threat, a series of policy measures should urgently be proposed to address the gender imbalance.

¹ E.g. Re-employment of unemployed women - an opinion poll conducted by the Institute of Sociology of the National Academy of Science ("We, the Women" newsletter, Issue 14, February-March 2000. p.16)

The economic situation in the country is having an impact on gender roles. Recently, there has been an increase in the number of women who have become the main breadwinner in the family. They are doing so by going into business or by seeking employment in the more lucrative areas of economy. Of two alternative behaviour strategies - to earn more or to economise - many women have preference for the latter. There is an increasing number of women who choose not to work outside their homes but to look after the family. This type of behaviour is no longer considered by society as unacceptable, but rather as a positive example for others to follow. The absolute majority of women, however, still carry the double burden of regular employment and work in the home. In most cases, the woman has no free choice of her strategy of economic behaviour, and has to make decisions depending on the circumstances. It is only through economic growth and eradication of absolute want and poverty that the woman would be able to make a truly voluntary and free choice.

Education and professional training

The Belarusian Constitution guarantees equal access to education for men and women. Article 32 expressly mandates the provision of equal opportunities for men and women to receive education and professional training. There are 4,600 secondary schools, 14 private secondary schools, 346 vocational schools, 150 technical colleges, and 42 state and private higher education institutions, all making this right a reality.

In general, education appears to be the best positioned to ensure genuine equality of men and women. Belarusian women are better educated than men. They constitute more than one-half of all employees with higher education and more than 65% of employees with upper-secondary education.

Adequate gender balance is observed in secondary education institutions, where 48.8% of students are girls. Some imbalances are present in vocational and upper-secondary education. In the academic year of 1999-2000, young women represented only 36% of all students in vocational schools, and in upper-secondary institutions 54-9%. The higher number of women in upper-secondary institutions can be attributed to the fact that the latter offer greater opportunity to receive higher education, which becomes less accessible after graduating from a vocational school.

In 1999, 26.4% of women aged 17 to 18 were admitted to higher education institutions. Tertiary enrolment ratios among young women of this age group have been rising in recent years - from 16.5% in 1991 to 22.2% in 1996. There were 110 women per every 100 men admitted to higher education institutions in 1999.

Overall, women comprise 52.3% of all tertiary students. However, the proportion of women is noticeably lower at the post-graduate level. In the academic year of 1998-1999, only 42% of postgraduate students were women. In most cases, women take longer than men to defend their candidate dissertations, which slows progress in their academic careers. It is not surprising therefore, that the proportion of women doctoral students is only 28%. The main barriers to the pursuit of an academic ca-

recr by women result from starting a family and having a first child. The average marrying age for women happens to be at 22.2 years and coincides with the period of graduation from a higher education establishment and admission to postgraduate programmes. This means that women have fewer opportunities than men to receive "lifelong education".

It is also remarkable that education continues to be affected by persistent stereotypes about 'typically male' and 'typically female' professions. In 1999, only 8.3% of new admissions to departments of natural and applied sciences at the tertiary level were women. Gender imbalances are particularly noticeable in training for professions such as child education, with 75% of women students, textile and light industry, with 84%, food industry, with 79%, economics, with 69% and medicine, with 69%. Only 17% of students at Belarus State University of Radio-electronics and Computer Science are women, as opposed to 80% of women students at Belarus State Pedagogical University.

This distribution of professional roles deserves a careful analysis. In the absence of any formal restrictions for acquiring a 'male' profession, women often have to deal with the pressure of popular opinion, which is accustomed to see women as providers of health care, education, food and clothing. This pressure narrows women's professional and career choices and results in male or female domination in certain professional groups.

Education is itself a highly feminised profession. Even here, major gender imbalances are observed among managers and non-managers. Women represent 80% of all employees in education, but just 47.7% among school directors.

At the tertiary level, women also constitute roughly one half of all teachers and professors. Of them, 13.2% have a doctors degree and 36.2% a candidates degree. Of 42 state higher education establishments, only 2 are headed by women rectors.

One way of overcoming these imbalances is by introducing gender education. Work in this direction has already started. The private women's institute "Envila" continues to operate successfully. In 1999-2000, four higher education institutions were teaching courses in gender issues. All of these developments could be regarded as small but important steps in the right direction. It is believed that courses in gender studies should become compulsory for students in most areas, as this is the society's only chance of overcoming gender stereotypes and sensitising itself to gender problems.

Women and health

Women's life expectancy has exceeded that of men for many years. In 1999, mean life expectancy at birth was 62.2 for men and 73.9 for women. In addition, the incidence of chronic diseases and number of deaths due to accidents, cancer and heart diseases and suicides was noticeably higher among men than among women. This imbalance can be attributed in many ways to the fact that men are generally more prone than women to alcohol abuse, drug addiction and smoking. In 1998, there were 332 diagnosed cases of alcoholism per 100,000 population in men and 52 in women. However it would be wrong

to assume that the state of women's health is appropriate. Ever since 1991, a slow but steady growth has been recorded in the incidence of active tuberculosis and cancerous tumours in women.

In addition, women's reproductive health is also a matter for concern. To women, the right to live - a fundamental right for any individual - is also the right to give life to another human being. The term 'reproductive health' generally includes sexual health, the opportunity to make reproductive choices, family planning and safe motherhood.

Fertility has been in steady decline in Belarus for a number of years. According to the annual household survey, conducted by the Ministry of Statistics and Analysis, 60% of Belarusian married couples with children aged under 18 have one child, 30.9% two children and 4% three or more children.

The low birth rate suggests that Belarusian couples control their fertility and spacing of children. Unfortunately, abortion still remains the primary method of birth control, even though the number of abortions has fallen by 36% in the last five years. However, this number still remains extremely high. As of January 1999, there were 45.7 abortions per 1000 women. The high number of abortions results from the poor culture of contraceptive use, high cost of contraceptives and inadequate sexual education.

It is of particular concern that there are 36.6 abortions per every 1000 women aged 15 to 19. Early abortion and termination of a first pregnancy is always a risk to a woman's sexual and reproductive health. Health professionals also believe that in addition to somatic disorders, many women suffer from the post-abortion syndrome, affecting nearly 50% of women who have their pregnancy terminated. The symptoms of the post-abortion syndrome include insomnia, strong feeling of guilt, depression, and lower self-esteem.

Maternal and child maternity rates reveal a certain positive dynamic. The number of maternal deaths per 100,000 live births went down from 26 in 1997 and 28 in 1998 to 20 in 1999. Infant mortality rate has remained generally stable at 11.3 infant deaths per 1000 live births, the lowest figure in the former USSR.

However, the overall condition of women's health during pregnancy is a serious concern. According to the Belarus National Report on the Implementation of the Beijing Platform of Action, 74.8% of pregnant women were diagnosed with various diseases and disorders in 1999: Anaemia (31%), thyroid gland dysfunctions (18.2%), disorders of the urogenital tract (13%) and the circulation system (9.8%) were some of the most common medical problems. Worse still, the incidence of nearly all types of health disorders in pregnant women has increased by an average of 3% above the 1995 level. This inevitably leads to a greater number of infants being born with health defects and medical problems.

Experts believe that the rise in maternal, and consequently, infant health problems can be attributed mostly to falling living standards and the deteriorating natural environment. Changes in the structure and quality of nutrition, lack of adequate rest, limited access to essential medication and rising stress - all consequences of falling

living standards - affect the state of women's health, as well as reproductive health. This is a dangerous trend, as it results in every new generation producing less and less healthy offspring, thereby creating a vicious circle.

Belarus is investing some effort in improving women's reproductive health by increasing the number of medical establishments, improving family planning services and through public education. However, public expenditure on health has declined in recent years from 17.3% of total public expenditures in 1996 to 13-2% in 1999, while overall expenditures on gynaecologic care and midwifery services have remained almost unchanged. Belarusian health care institutions employ 2614 gynaecologists (up from 2431 in 1995), and over 90% of pregnant women are under medical observation. But many problems related to women's health remain unresolved, and should be regarded by society as a first priority.

Violence against women

Violence against women is as obnoxious as it is widespread. It is still a problem for every country. It has existed in the Belarusian society all the time, but became a subject of public debate only recently. The Beijing Declaration and Platform of Action has done a lot to break the spell of silence around this issue.

It is customary to approach violence against women as a violation of human rights and liberties. According to international statutes, violence is not only an act that inflicts direct physical damage on the victim, but also any act of psychological aggression that lowers the person's dignity and self-esteem. The declaration on eradicating violence against women, adopted by the UN in December 1993, defines violence against women as any gender-motivated act of violence that causes, or may cause, suffering or damage to the physical, sexual or psychological health of the woman. Violence also includes a threat to commit such acts or arbitrary restriction of the women's freedom in public or private life.

According to sociologists,¹ 92.3% of Belarusian women have either witnessed scenes of violence or have been directly involved in them. Almost one-third of the women polled (29.4%) have been victims of physical beatings at least once in their lives. The main perpetrators are the spouses or close friends of the women victims, making violence very much a part of the everyday routine.

The most frequent types of violence are unfair criticisms (experienced by 74.4% of the women polled), swearing and insults (64.9%), jealousy (62.5%), violation of privacy (45.8%), physical violence and infliction of bodily harm (29.4%).

It is certainly not just women who become victims of domestic violence. However, numerous opinion polls point to men as the most likely perpetrators of violence and women as its most likely victims. Responding to the question "Who, in your opinion is more likely to become the victim of violence?", 62.3% of the women polled pointed to the wife and only 1.4% to the husband as the most frequent victim of spousal abuse. Data on child

¹ These and other data refer to an opinion poll conducted in 1999 among 1100 women aged 15 to 65. The poll was conducted in 1999 by the Women's Advisory and Educational Centre in conjunction with NOVAK opinion poll agency.

abuse revealed a similar trend 16.5% of the poll participants stated that girls were more likely to be subjected to domestic violence than boys, and only 4.6% shared the opposite view.

Of all types of violence against women, rape is perhaps one of the most brutal. In 1999, there were 17 recorded rapes per 100,000 women aged 15 to 59. However, their real number is presumably much higher, because women do not always report those assaults to the police. According to an opinion poll, 3% of its women respondents admitted to having being raped by a stranger, acquaintance or their own husband

Women's protection against violence should be approached first and foremost as a legal problem. In Belarus, it is addressed by the Criminal Code and several provisions of the Administrative Code. Actions persecuted under the Criminal Code range from murder to abandonment in danger. The Code also criminalises a large number of sexual offences, such as rape, coercion into sexual contact, maintenance of brothels, sexual intercourse or sexual molestation of a person aged below 16.

Psychological violence against women is especially difficult to prove. The Criminal Code contains provisions that criminalises acts of psychological violence, such as libel and slander (Articles 129 and 128), threatened murder, battery and damage to property (Article 202).

Legal support and psychological counselling for victims can be extremely helpful in addressing the issue of violence. Several women's nongovernmental organisations have established or are in the process of establishing crisis centres for victims of violence. Some of these NGOs are the Belarusian Union of Women, the Belarusian Union of Social Educators and Women's Independent Democratic Movement. There is a need for a network of such centres in order to make help timely and accessible for those who need it.

Violence against women could also be addressed through public education. There is a need for an information policy that would reveal to society the true extent of violence and eliminate the patriarchal view of the woman as a weak and second-class citizen. It is also important to educate the public about ways of preventing violence and punishment for violent acts. Society should abandon the stereotypes that violence against a woman is her own personal problem to be resolved exclusively by herself or her family.

The inaction of society, and sometimes the law enforcement authorities, often has a tragic outcome. Almost one-half of all murders committed with extreme brutality in the home are preceded by long periods of conflict and hidden violence. This is the terrible price that society has to pay for its indifference to this aspect of human life. In this respect, the programme to control family rows, introduced and implemented by the Belarusian police authorities, seems very timely and appropriate. The programme has helped identify and put on record 19,125 potential instigators of family rows.

Trade in women and prostitution is another example of violence. Trade in women is covert and presumably taking place on a small scale. However, it is a real problem, whose origins lie in the economic crisis and its numerous attributes, such as difficulties finding employ-

ment, low wages and real incomes. Recruitment methods are extremely varied, and include bogus marriages, or offers of employment as dancers in variety shows, waitresses or fashion models. Many women who accept those offers are coerced into prostitution, become sex slaves and have their passports and identification taken away by their captors. According to a poll conducted in 1993 by the Institute of Sociology of the National Academy of Sciences, only 4.3% of those willing to work abroad were fully informed about those dangers. Such ignorance increases the migrant women workers' risk of becoming victims of illegal human trafficking.

The Department of Morals and Illegal Drug Trafficking, established at the Ministry of Interior in June 1999, was vested with the authority to investigate and persecute individuals who recruit women prostitutes, and organise or run brothels. In addition, the new Criminal Code, which was enacted in 1999, but has not yet taken effect, calls for criminal persecution of actions such as human trafficking, with intended sexual exploitation of women being regarded as an aggravating circumstance. Sexual or other exploitation is also regarded as an aggravating circumstance in cases involving criminal charges of abduction.

Women's participation in government and decision making

A balanced gender policy calls for equal participation of men and women in political decision-making. Women's representation in supreme legislative, executive and judicial bodies is an important measure of their advancement in this area.

There are just five women deputies in the National Assembly, representing 4.5% of the total number of deputies. Women, who represent roughly one-half of Belarusian voters, are effectively deprived of effective representation in Parliament. It is true that men, too, can advocate women's interests. But it is also true that even in countries with a much better gender situation than in Belarus, male politicians do not always have a clear understanding of women's issues and are not sensitive enough to the gender impact of the legislation that they enact. It is believed that the minimum proportion of women in government that ensures proper gender balance of decision-making is 30%.

Gender quotas were applied, at the president's behest, in forming the upper house of parliament, the Council of the Republic. Although not provided for in the Constitution, this principle has made it possible to increase the proportion of women deputies in the house to 30%. However, these women deputies have not succeeded in forming a consolidated political platform. They have also failed to make themselves known to the general public, or become leaders of public opinion.

Women's participation in government tends to increase down the power hierarchy. The local elections in the spring of 1999 brought 8827 women into local Soviets. As a result, women took 37% of seats in local legislatures.

Women's participation in the central government remains exceptionally low. According to experts, the most influential positions in the executive power are those of

ministers, deputy ministers and heads of units. There has been only one woman minister in recent years - the Minister of Social Welfare. Ten women are serving as Deputy Ministers. Women represent one-third of the Council of Ministers support staff, but only one woman holds the position of head of section. Women constitute the majority of staff in all ministries and agencies, with the exception of the Ministry of Interior, the Ministry of Defence and Ministry of Foreign Affairs. The Ministry of Statistics and Analysis has the greatest proportion of women employees (around 90%). However women employees in ministries are mostly doing routine jobs and are generally not involved in making strategic decisions.

Women have no visible impact on foreign policy. Only two women are serving as ambassadors in foreign countries. Women employees represent 20% of the staff of the Belarus Foreign Ministry.

In regional governments, women are typically in secondary positions. There is not a single woman chairman of an oblast executive committee, but 21.3% of all deputy chairmen of oblast executive committees are women. As of December 1998, women occupied only 6.6% of managerial positions in the economy and represented 1.4% of all lead specialists.

Women are relatively well represented in the judicial system. There are five women judges at the Constitutional Court. The proportion of women is the highest among members of the Bar (62%) and notaries (93-4%).

When writing this report, the authors polled 50 women leaders and activists of NGOs, public servants, researchers and journalists. The women were asked to name the barriers that prevented greater participation of women in government and decision making. The answers were as follows:

- Men's reluctance to share political power (men's corporate culture): 79%;
- Gender stereotypes (e.g. "women cannot manage the state" or "politics is not for women"): 78.4%;
- " Excessive work loads on women in the home and in the workplace: 64%;
- Different starting opportunities for men and women: 47%.

Women can participate in decision making by acting through political parties and public associations. There is still only one women's political party, "Nadeya". But there is also a tendency to establish women's leagues in other political parties, including the Belarus Social Democratic Party "Popular Alliance", United Civil Party, Belarusian Popular Front Party, and Liberal Democratic Party.

There are 17 women's NGOs having the status of nation-wide organisations and registered with the Ministry of Justice. Some of the most numerous NGOs are the Belarusian Women's Union, Belarusian Association of Working Women, Belarusian Association of Young Christian Women and the All-Belarusian Women's League.

Working in partnership with the rest of the third sector, as well as among themselves, women's organisations are contributing to the growth of the civil society in Belarus. However, women's organisations still represent less than 2% of the total number of NGOs.

Despite their small number, women's NGOs still play a leading role in bringing gender issues to the public

agenda. They have been instrumental in drawing the attention of the Belarusian public to the Beijing Platform of Action. From 1999 to 2000, women's NGOs have conducted numerous seminars. The seminars covered subjects such as "Strategies for protecting women's rights", "Women's rights in the workplace", "Strategies for women's rights protection and the law", and "No to family violence". Around 1500 women have attended these seminars.

Today, women's NGOs are focusing on the following thematic areas:

- Human rights and political participation;
- Support for women's professional and business activity;
- Social work and social services;
- Eliminating violence against women in the family.

Women's NGOs have succeeded in establishing research and advisory centres to conduct an in-depth study of gender issues. These include the Gender Research Centre at the European Humanities University, the Women's Educational and Advisory Centre and the Gender Research Unit at the Private Women's University "Envila".

The women's movement in Belarus is also facing a lot of difficulties. One difficulty is created by the state's policy of selective support for women's NGOs that declare and maintain loyalty to the state. This policy increases divisions within the third sector and creates mistrust, suspicion and unnecessary competition.

There is no legislation offering tax reductions to potential sponsors, as the law "On Charitable Activities" is still under discussion. At present, all donations to NGOs are taxed. There is also no system to provide competitive government grants to NGOs for the support of civil initiatives.

The situation is further complicated by the growth problems experienced by the NGOs themselves. Many lack a clear understanding of the specifics of women's NGOs. Unhealthy competition for resources and authoritarian leadership styles are also quite common.

As Belarus is preparing for parliamentary elections, women's political consolidation is as important as ever. On the eve of the elections, many women with experience of running for parliament in 1995 and 1996 confirm that, in addition to tough electoral competition, they also had to deal with discrimination on the basis of their gender. For example, some of their male competitors had mounted personal attacks against them and publicly doubted their ability to address matters of public concern. In [his context, consolidation of women's NGOs would be a useful strategy. Possible areas of partnership may include running counselling and legal support centres for women candidates, or public information and education campaigns.

Institutional mechanisms for the advancement of women

Success in achieving equal rights and opportunities for men and women depends on a viable network of state and public institutions to develop and implement gender policies.

Some of those institutions, active within the executive power and legislature, include:

- Commission for Social Affairs of the Council of the Republic;

- Commission for Labour, Social Issues, Health Care, Sports and Physical Education of the House of Representatives;

- Department of Social and Cultural Policies of the Council of Ministers;

- Department of Targeted Social Assistance and Gender Issues of the Ministry of Social Welfare.

This list suggests that women's issues continue to be seen as being related to social welfare. In the minds of top-level government officials, women are still a group that is in need of social support and targeted assistance. Although women are indeed a socially vulnerable group, they cannot be helped by continuous support. Such a policy would only worsen their social segregation and perpetuate gender inequality, seen merely as a necessary evil. Instead, it would be far more useful to focus on women's greater involvement in decision making, creating equal conditions and opportunities for men and women and expanding women's choices. The true purpose of gender policies is not to favour women, but to promote gender equality.

Achievement of this goal depends on the application of an interagency approach to gender policies. In 1996, Belarus adopted a national plan for the advancement of women for the period 1996-2000. The plan is based on the Beijing Platform of Action. The national programme "Women of the Republic of Belarus", launched that same year, called for actions to improve women's competitiveness in the labour market and participation in government, as well as to protect the mother and child, strengthen the family, address the social and psychological problems of women and facilitate their adjustment to the new economic environment. The initial results of those activities have been discussed in the Belarus National Report on the Implementation of the Beijing Platform of Action.

The National Gender Policy Council, created in 2000, is another attempt to bring gender issues to the national agenda. However, its impact is difficult to assess, as it has hardly started to operate. Most of the Council's members are managers of local and central departments of social welfare. Regrettably, there are too few representatives of women's NGOs. However, the status and powers of the Gender Policy Council suggest that it has at least some potential to promote gender equality in Belarus.

The natural and living environments

Sustainable human development is not achievable without a stable biosphere, and the impact of economic activity on the biosphere should not, in the terms of V. G. Gorshkov, exceed the "threshold of disturbance". Contrary to this principle, the whole history of humankind is that of economic growth and gradual destruction of the biosphere. The changes in the economy and environment have been the greatest in the 20th century. It has been estimated that only one-third of the planet's surface area has been unaltered by human activity. The last hundred years have seen the growth of a global economic subsystem within the earth's eco-system, which has ex-

panded by several orders of magnitude, mostly at the expense of the natural environment.

The standard of living is generally measured in terms of GDP per capita and a number of other indicators that derive from it. However, the quality of life, which is an essential prerequisite to a conducive living environment, depends on the degree to which the individual's material and spiritual needs are met. The most basic needs include, among others, housing, food, clothing, a healthy environment, personal security, opportunities for intellectual development, and access to nature. A favourable natural environment is key to a healthy and fulfilling life.

The UN Conference on Environment and Development, which convened in 1992 in Rio, and the 1994 World Population Congress in Cairo reaffirmed the unseverable link between socio-economic advancement, demography and the environment.

In this context, the deepening of environmental problems, observed throughout the last several decades, has not been unexpected. The underlying reason lies in the excessive development of resource-intensive and wasteful industries, dependent on the import of raw materials and export of finished products. Too much emphasis on production, and failure to take appropriate steps to protect the environment and save resources, are the primary causes of the environmental crisis in Belarus.

At present, Belarus is facing a number of serious environmental problems:

- One-fifth of its territory has been contaminated by radioactive fallout. Radioactive contamination has affected 22% of Belarus' agricultural land and 21% of its forests, resulting not only in the lower quality of its natural resources but also in high expenditures on minimising the dangers of radiation;

- Atmospheric pollution exceeds permitted levels in cities with a high number of environmentally hazardous industries and motor vehicles;

- Massive drainage of wetlands has transformed the river basins and undermined the water balance in many rivers. As a result, many small rivers and brooks have disappeared;

- Water pollution index has increased across the board, despite an overall decline in the amount of waste released into rivers, suggesting problems in the water systems' ability to cleanse themselves;

- Pollution has reached dangerous levels due to high amounts of industrial and household waste released into some of the nation's unique water systems, such as Lake Naroch, Lake Svityaz, Braslav Lakes and Blue Lakes;

- Natural landscapes are being altered due to technogenic impact;

- The state of the environment in rural areas is a matter of particular concern, due to the long-term effects of pollution by large animal farms, excessive use of chemicals and heavy agricultural machinery, allocation of fertile land to non-agricultural uses, anthropogenic land erosion, drying out of forests and careless drainage of wetland areas.

Radioactive contamination remains the most serious environmental concern, affecting 2.2 million people living in over 3600 settlements (including 27 cities), located in radioactively contaminated areas. Gomel and Mogilev

Oblasts have been the hardest hit. Radioactive contamination has affected 68% of the territory of Gomel Oblast and 35% of Mogilev Oblast. In Brest, Grodno and Minsk Oblasts, the proportion of radioactively contaminated territories is 13%, 7% and 5%, respectively, and in Vitebsk Oblast, it is less than 1%.

The effort to eliminate the after-effects of the Chernobyl catastrophe, the largest ever peace-time nuclear disaster, has been extremely costly. 135,000 people have been moved to cleaner areas. 415 settlements, 287 industrial facilities, 607 schools and kindergartens and 95 hospital and other health care establishments have been closed, together with a large number of public catering, trade and service outlets. A considerable portion of radioactively polluted areas has been removed from agricultural use and made part of the so-called exclusion zone. A large volume of research performed by Belarusian scientists has shed light on the patterns of radioactive contamination, the impact of radioactive fallout on the soil, water, atmospheric, the flora and fauna. The effect of radiation on people's health has also been studied, and assessments have been made of the socio-economic cost of the Chernobyl accident, which, according to some estimates, may reach \$235 billion by 2015.

Belarus has developed state programmes to eliminate or minimise the effects of the Chernobyl accident, and a number of laws and government directives have been enacted. As a result, radioactive contamination of air is within the norm in most Belarusian cities. However, several problems have arisen. As the concentration of the long-lived Cesium-137 and Strontium-90 isotopes, as well as several transuranium elements, remains high in nearly all ecosystems, the decay of Plutonium-241 is generating, increasing amounts of Americium-241, thereby compounding the risk of radioactive pollutants entering the food chain. The content of Americium-241 is expected to peak by 2050, at which point its activity will be twice as high as that of Plutonium-239 and 240. By that time, the release of alpha-irradiation from transuranium elements may increase twofold.

The most adverse effect of radioactive contamination is on the health of the Belarusian people, especially those living in Chernobyl-affected areas. There, the incidence of tumours and diseases of the endocrine and circulation systems has been rising steadily year after year. Overall, the population exposed to radioactive contamination - including 530,000 children and teenagers - is more vulnerable to disease than the people who live in uncontaminated areas.

The incidence of thyroid cancer has ranged from 2.1 to 3-2 cases per 100,000 child and teenage population, compared to no more than 0.5 cases in the rest of Europe. Congenital and genetic disorders, attributed to the after-effects of the Chernobyl disaster, account for an increasing proportion of the infant morbidity statistics. Morbidity rates have also begun to rise in the less contaminated areas of Belarus.

As the size of the urban population is constantly rising, atmospheric pollution is increasingly becoming a problem, especially in large industrial cities of Belarus. The degree of atmospheric pollution is being monitored constantly in 16 cities. In addition to regional capitals,

such monitoring also covers Bobruisk, Mozyr, Novogrudok, Novopolotsk, Orsha, Rechitsa. Pinsk, Polotsk, Soligorsk and Svetlogorsk, which are home to nearly two-thirds of the entire urban population. The State Committee for Hydrometeorology is operating fifty permanent stations, which take samples of atmospheric air in those cities three or four times per day to measure the content of 26 different pollutants. In the neighbourhood of large enterprises, highways and inside the living quarters, the state of atmospheric air is being monitored by the local centres for Hygiene and Disease Control of the Ministry of Health.

Air quality is assessed on the basis of standards introduced by the Ministry of Health, stating maximum permitted concentrations of various types of pollutants. International air quality standards are also applied in the form of WHO recommendations. Changes in the degree of atmospheric pollution are assessed on the basis of the integral atmospheric pollution index. The index is calculated separately for every location by measuring the content of the five most typical pollutants, notably, dust, sulphur dioxide, carbon dioxide, nitrogen dioxide and formaldehyde. The calculation takes into account the danger of each pollutant, applicable air quality standards and average atmospheric pollution levels. The degree of atmospheric pollution is considered high if above the national average or if the Atmospheric Pollution Index exceeds 7, excessive if the concentration of pollutants has exceeded the maximum permitted levels at some point during the year, and low if the average annual content of pollutants has been at or below the normal standards of air quality. In recent years, the highest atmospheric pollution indices have been recorded in Mogilev (8.8-10), Mozyr (7.8-8.6), Bobruisk (6.3-7.7), Gomel (4.5-7.1), and Vitebsk (5.8-8.3). In Mogilev, the Atmospheric Pollution Index has exceeded the national average for several years in a row.

The primary sources of atmospheric pollution are motor vehicles, energy facilities and industrial enterprises. In 1999, road transport contributed 73.7% of atmospheric pollution, while 26.3% came from stationary sources. The amount of dangerous chemicals released by those two sources was 1,047,000 tonnes and 374,000 tonnes,

respectively. Carbon monoxide accounted for the largest share of all atmospheric pollution (55.3%), followed by sulphur dioxide (11.5%), hydrocarbons (10.2%) and nitrogen oxides (10.1%).

In addition to local sources, some atmospheric pollution comes from neighbouring states. According to the Ministry of Nature, external sources account for 84 to 86% of the total amount of sulphur compounds, 89-94% of nitrous oxides and 38%-65% of reduced nitrogen absorbed by Belarus.

Although the release of pollutants, and consequently, their content in atmospheric air, have declined in recent years, (fig. 2.7) air quality remains an issue for most Belarusian cities. Last year, excessive pollution levels were regularly recorded in Mogilev, Minsk, Svetlogorsk, Novopolotsk and Vitebsk. As a result, up to 2.14 million Belarusians may have been exposed to the dangerous effects of high air pollution, which sometimes exceeded maximum permitted levels by five to nine times.

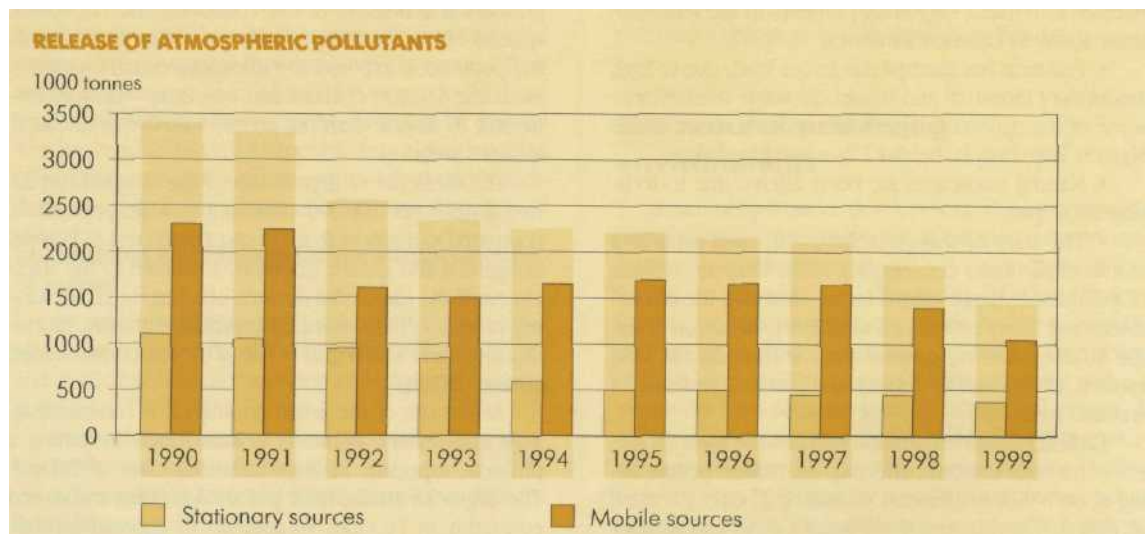
Despite a fair supply of water resources, many experts and members of the general public are concerned about the impact of human activities on water quality. Belarus' overall water supply is 175 cubic metres per square kilometer, or 3,400 cubic metres per capita, compared to 2,600 in the United Kingdom, 900 in Belgium and Luxembourg, 2,000 in Bulgaria, 800 in Hungary, 1,300 in Germany, 2,800 in Italy, 2,200 in Poland, 1,000 in Ukraine and 1,800 in the Czech Republic.

In 1999, household and commercial water intake was only 5.4% of the average annual runoff (excluding water transit), or 185 cubic metres per capita. Water intake has declined 1.5 times below the 1990 level (8.5% of the average annual runoff, or 281 cubic metres per capita).

Despite favourable water supply statistics, water quality remains an issue, despite reduced drainage and ongoing renovation of water purification facilities.

The State Committee for Hydrometeorology is operating a permanent network of measuring stations to assess water quality in different parts of the country. The network covers 78 rivers, lakes and water reservoirs at 105 different settlements. More than fifty different characteristics of water quality are monitored, including concentration of salts and gases, biogenic components and

FIGURE 2.7



major pollutants coming with waste water. The overall assessment of surface water quality is made on the basis of the water pollution index. The index is calculated as a sum of the ratios of actual to maximum permitted concentrations of the most typical pollutants divided by six. Typical pollutants include oxygen, BPK5, ammonia and nitrate nitrogen, oil by-products and phenols.

Most Belarusian rivers are moderately polluted, with the water pollution index ranging from 1 to 2.5. Portions of some rivers are ranked as excessively polluted, notably, the river Svisloch below Minsk, the Dnieper below Mogilev and Bykhov, the river Uza below Gomel and the river Loshytsa within Minsk.

Recently, the water pollution index has increased in many rivers, despite falling amounts of waste water release. This suggests higher rates of secondary pollution and a decreased capacity of bodies of water to dissolve, disperse, or recycle waste. Proper processing of waste water normally requires at least a ten to twelve-fold dilution. Unpurified waste water, by contrast, of which 26 million cubic metres were released in 1999 alone, require a fifty-fold dilution.

The state of subsoil water is also an issue, as it is the main source of fresh water supply for many Belarusians and has a major effect on their health and quality of life. Due to high sediment porosity, subsoil water is poorly protected from surface contamination, resulting in higher concentrations of mineral salts, chlorides, sulphates, as well as ammonia and nitrate nitrogen.

Regular monitoring of radioactive water contamination reveals normal concentrations of radioactive substances in surface and subsoil water. The concentration of those substances is the highest in stagnant waters and bottom silt. The concentration of Strontium-90 and Cesium-137 in rivers in the south of Belarus has decreased more than 20 times since the Chernobyl explosion, but increased in lakes and water silt. There has been no reliable evidence suggesting radioactive contamination of subsoil water.

The state of the natural bodies of water calls for better water purification techniques, more water conservation areas as well as effective measures to prevent pollution by large animal farms and reduce water intake through recycling.

Large-scale drainage of wetland areas, conducted for many years, has undermined the natural balance of Belarus' ecosystems. Performed on 3,413,400 hectares (16.4% of Belarus' territory), irrigation has transformed the water basins and flow in many rivers. More than 1,600 small rivers have been affected by irrigation. In most cases, their river beds were straightened, transforming them into canals. The length of those canals was more than ten times the length of the original river beds, undermining the water balance in vast stretches of land (especially in the woodland area of Polesye). Changing surface water levels and flow speeds in some basins lowered the subsoil water levels, eliminated a large number of small rivers, drained numerous wells in many villages and led to many other adverse effects.

As a result of irrigation, wetland areas shrunk by 40%, undermining their role as a factor of stability in the biosphere and the ecosystems. According to experts from the

Institute of Ecology and Natural Resources of the National Academy of Sciences, sustainable exploitation of wetlands and peat deposits would depend on the resumption of wetland formation. One way of achieving this would be to swamp the exhausted peat deposits. This would restore natural balance in existing Belarusian wetlands, which, along with the forests, effectively serve as a source of fresh air for the whole of Europe.

The transition to intensive crop farming between the 1970s and 1990s, which was performed mostly through increased use of chemicals and agricultural machinery, led to certain increases in crop yield and land fertility, but also deteriorated the ecological condition of the soils. According to various studies, 41-5% of Belarusian arable land are approaching dangerous levels of erosion. Excessive use of lime on acid soils has resulted in high calcium content in at least 3% of agricultural land. High calcium content inhibits the growth of calciphobic crops, such as flax, potatoes and lupine. Overuse of mineral fertilisers in the late 1980s led to excess amounts of biogenic elements in at least 6% of arable land. This results in high nitrate content in the crops. High pesticide concentrations, resulting from many years of excessive use, are having a negative impact on the health of people and all other living creatures.

Adverse technogenic impact on natural landscapes is another serious environmental issue for Belarus. The root of the problem lies in failure to ensure complete extraction of the mineral from the ore, and its inadequate processing. As a result, large amounts of waste are being piled up in territories suitable for agricultural use. The piling up of this waste leads to sandstorms and contributes to the pollution of soils, surface water and atmospheric air. Huge deposits of unprocessed waste result in an 8-10% loss of agricultural output, disrupt ecological balance and are a threat to public health.

Up to 700 million tonnes of industrial waste have been accumulated to date. Stored in makeshift dumps, they are often a source of atmospheric, soil and water pollution. But content of many valuable substances makes numerous types of this waste good recycling materials. There are approximately 800 different sorts of waste, including halite, clay and salt slime (mostly in Soligorsk potassium mines, representing 79.3% of the total amount of solid waste), phosphogypsum, moulding sand, lignite, waste generated by the food industry, etc.

Only 18.4% of solid waste is being reused, most of which is lignite. However, the most widespread type of solid waste - salt and clay slime - is not being recycled at all. Food processing waste has the highest recycling rate (67.4%), along with paper and cardboard waste (76.0%), and glass (74-9%). Over two million tonnes of solid household waste is being generated every year. Much of this waste is deposited in municipal dumps, occupying a territory of 815 hectares, and only four per cent is being recycled in the experimental plant "Ecores" in Minsk. There was a total of 267 kilogrammes of solid household waste per every city dweller in 1999, up 15 kilogrammes from the 1998 level.

It is believed that public health has been the hardest hit by increasing anthropogenic pressures on the environment. The state of public health may be regarded as an

TABLE 2.16

Damage caused by atmospheric and water pollution relative to GDP (in 1998 roubles)					
	1990	1995	1996	1997	1998
Cost of environmental damage, billions of roubles	40658.0	19593.7	17588.1	20176.4	25905.8
GDP, billions of roubles	826374.6	534064.6	549018.5	611606.6	675159.4
Total cost of environmental damage to the economy relative to GDP	0.05	0.04	0.03	0.03	0.04
Cost of environmental damage relative to GDP, as % of 1990	100	48.2	43.3	49.7	63.8
GDP, as % of 1990	100	64.6	66.4	74.0	81.7

integral indicator of the quality of life in a human population. According to medical statistics, the average life expectancy of the rural population declined by 2.6 years over the twenty-year period from 1970 to 1990, of which 16 years preceded the Chernobyl nuclear accident. Much of this decline is attributed to increased contamination by various chemicals used in agriculture, as well as to higher consumption of nitrates with drinking water from wells. Approximately 75% of the wells surveyed in recent years were found to have been contaminated by nitrates.

The state of the natural environment has also affected the health of the urban population, especially in cities with large industrial enterprises (such as Bobruisk, Vitebsk, Gomel, Mogilev, Mozyr, Polotsk and Novopolotsk).

Air pollution is the biggest environmental problem for large cities, affecting the incidence of diseases of the respiratory system, cancer, allergies, and immune deficiency problems, especially in children and teenagers.

The present state of the environment affects the standard of living and restricts economic development. It is the degree of environmental security that is becoming the measure of a society's advancement along the path of civilisation. The world community has come to the conclusion that GDP growth is not the only benchmark of a nation's prosperity. Sustainable human development, and a higher quality of life that it brings about, depend greatly on the state of the environment. According to the World Health Organisation, 20 to 30% of all diseases diagnosed on the planet can be attributed to the worsening state of the natural environment.

The decline in industrial output, that has taken place since 1990, has somewhat reduced the anthropogenic load on the natural environment. In this respect, losses to environmental degradation and depletion of natural resources is a good Integral indicator that may shed light on the true extent of such a load. An attempt to assess the economic cost of environmental damage was first made by the Institute of the Economy in 1994. At that time the assessment covered only stationary sources of pollutants, which release less than a quarter of hazardous chemicals. Work in this direction continued in 1999, and revealed the dynamics of economic losses to environmental damage from conventional sources and the economic impact of radioactive contamination from 1995 to 1998.

The economic cost of atmospheric and water pollution totalled 25,905.8 billion roubles in 1998. Water pollu-

tion accounts for 54.4% of this cost, and atmospheric pollution 45.6%.

After a period of decline (from 4.9% of GDP in 1990 to 3-2% in 1996), the cost of environmental damage began to increase in 1997 in both absolute and relative terms (table 2.16). This dynamic can be attributed to the resumption of economic growth and the resulting increase in the scale of environmental pollution.

However, the rise in the overall cost of environmental damage was noticeably faster than the increase in GDP. From 1996 to 1997, it had gained 14.8%, while GDP had increased by only 11.4%. From 1997 to 1998, it rose by a further 28.4%, and GDP by only 10.4%. These figures illustrate the inefficiency of environmental protection, as well as inadequate control over the release of pollutants and the state of the purification equipment. They also suggest a disproportionately high environmental cost exerted by industry per every unit of production.

It should be borne in mind that the assessment of the Institute of Economy did not include losses caused by direct pollution and depreciation of land and mineral deposits, which may represent up to one-third of the overall cost of environmental damage. It is also alarming that the assessment of the damage caused by just two types of environmental pollution - of air and water - was already high enough, at 3.8% of GDP.

In advanced market economies environmental damage is estimated at 2% to 7% of GDP, and in Russia it stood roughly at 15-17% of the GDP in 1990. In terms of environmental damage, Belarus thus ranks among the world's most advanced market economies. But unlike these countries, which invest 3 to 6% of their GDPs in environmental protection, Belarus spent only 1.9% on the protection of atmospheric air and another 1.6% on the protection of water resources in 1999, which is substantially below international standards. Experts also suggest that Belarus' environmental expenditures should be comparable to the assessment of economic losses to environmental pollution. As Belarus presently cannot afford to spend this amount for economic reasons, it will have to spend a much higher proportion of its national income in the future to minimise the negative environmental impact of human activity.

The radical way of addressing environmental issues is by introducing resource-saving and low-waste technologies. Industrial countries are making a lot of effort in this

area, because investments in such technologies normally pay back within one to five years and reduce the demand for material inputs per unit of production. These two factors make these expenditures economically sound and a benefit to society. By contrast, the economic planning and funding system in Belarus makes it more profitable for enterprises to install purification equipment at government expense than to invest considerable amounts of equity capital in environmentally friendly technologies. However, investments in such technologies will make it possible to reduce environmental protection costs three or even four-fold, by eliminating the need to purchase and install purification equipment, which is a much more costly option.

The assessment of economic losses to radioactive contamination included direct and indirect damage resulting from the exposure of natural resources and ecosystems to radiation, lost revenue due to full or partial cessation of economic activity in such ecosystems, additional expenditures on the monitoring of radioactive contamination levels, and the cost of reducing radioactive contamination levels in the finished product to meet national quality standards. Such losses are estimated at 213.5 trillion roubles, an amount that equals 97.7% of the 1998 national budget. Overcoming the aftermath of the Chernobyl disaster will thus remain a heavy burden for Belarusians for many generations ahead.

It is quite remarkable that the last decade of the 20th century witnessed the start of the effort to create a new mechanism that would create economic incentives for enterprises to protect the environment effectively. Work in this direction has continued despite some serious socio-economic and environmental problems. It has been supported by a number of laws aimed at promoting and supporting market relations in environmental protection.

These are the laws that introduced charges for the exploitation of natural resources, such as the laws "On Charges for Land Use" (1991), "On Taxation of Natural Resource Exploitation" (1991) and "On Industrial and Consumer Waste". The law "On the Right to Own Land", enacted in 1993, was another step towards equality of all forms of ownership for land and effective protection of land quality. Amendments to this law, enacted in 1997, increased the number of entities and individuals entitled to land ownership.

Recent legislation is certainly a significant step ahead in improving the management of environmental protection efforts. More legislation is required, however, to ensure proper environmental protection in the process of privatisation, introduce environmental insurance and create a mechanism to cover the cost of environmental damage caused by violations of environmental laws. Changes may be necessary to banking laws to make sure that environmental issues are taken into consideration when extending loans to borrowers.

The present environmental policy is reflected in the socio-economic development plans and other documents drafted and implemented under the law "On State Forecasting and Socio-economic Development Programmes".

The 1996 National Sustainable Development Concept - the first in its kind - is a key environmental

and economic document designed for a fifteen-year period. The content of this strategy was discussed in detail in the 1997 National Human Development Report.

Specific sustainable development targets with respect to the environment have been outlined in the National Programme for Sensible Resource Exploitation and Environmental Protection for the period 1996-2000. The Government Science and Technology Programme "Natural Resource Exploitation and Environmental Protection" proposes scientific and technical approaches to addressing environmental issues. Similar targets are defined in the five year programme "Resource Saving", extended until 2005, the State Programme for Protection and Efficient Use of Land, State Programme to Minimise the Impact of the Chernobyl Nuclear Accident for 1996-2000, and several other industry and regional programmes that cover different time periods.

Belarus has effectively established a nation-wide environmental and economic forecasting system governed by the appropriate laws. However, these laws could not be implemented without adequate economic, financial and human resources. The present law is still far from meeting those requirements, as many of its provisions remain declarative and do not put in place the institutional mechanisms needed to protect the right of the individual to a safe living environment, full information about the environmental situation, and compensation for health damage. On the other hand, knowledge-based environmental programmes cannot be implemented because of financial and economic instability, high and unpredictable inflation and the budget deficit.

Government control agencies reporting to the Ministry of Environment and numerous public associations - such as the Belarus Environmental Union, Belarus Society for Environmental protection, Youth Ecological Movement, Youth Sodo-Ecological Association "Chernobyl", Association of Professional Ecologists, the Belarusian Green Party, and numerous others - can do a lot to help enforce environmental protection laws. However, the natural environment could not be protected just by enforcing the laws. It is essential to educate the public about the need for a careful approach to exploiting nature's riches. Such education should be done in the spirit of respect for the laws that exist to protect them and intolerance to waste. Environmental laws should be supplemented by economic tools and networks of continuous environmental education that covers all levels, from kindergarten upwards. Only then could the environmental protection laws work effectively, and environmental programmes be implemented to the letter.

The constitutional right to a safe natural environment could not be protected without international cooperation in environmental issues. The natural environment of Belarus is an integral part of a global environmental system. Protection of the ozone layer, prevention of climatic change, reduction of cross-border environmental pollution and numerous other tasks could not be addressed by any single country in isolation from the rest of the international community. Bilateral and multilateral agreements is one of many ways in which such partnership can take place. Belarus has signed the Convention on Cross-border Atmospheric Pollution, the Montreal Protocol, the

UN Biodiversity Convention and numerous other international agreements. Several national documents have been drafted as a follow-up to these conventions, including the draft programme "Protection of the Atmosphere". Guided by its international commitments, Belarus has performed an assessment of factors contributing to the release of heavy metals into the atmosphere, taken steps to limit the exportation and importation of substances destroying the ozone layer and compiled a data base on the importers and users of such substances in Belarus.

Acting in the spirit of the Biodiversity Convention, Belarus has joined the process of creating a Europe-wide Environmental Protection Network (EECONET), aimed at preserving territorial and functional links among the ecosystems of neighbouring states. Most European countries have undertaken to devise and establish this network by 2010. The EECONET project is presently seen as one of the best modern initiatives on the macro-regional level.

Partnership between the environmental protection agencies of Belarus and UNDP has expanded recently, giving rise to several oblast and district-level projects, as well as multisectoral initiatives to promote sustainable development.

As a recognition of its commitment to environmental development and a proactive position in environmental issues, Belarus was elected to the Executive Board of the United Nations Environment Programme. Belarus was elected to serve as a member of the Board for four years starting from 1998, following a positive vote at the 52nd session of the UN General Assembly.

Assisting countries with environmental programmes is a priority for the Bretton Woods Institutions. Belarus, too, has benefited from such assistance. Of all loans extended to Belarus by the World Bank (1172.2 million), one-fourth were directed at the support of environmental programmes (e.g. forestry development and energy saving in the social sector). Another \$15 million was provided in grants for implementing environmental projects. Half of this amount was spent on the effort to discontinue the use of substances that destroy the ozone layer by modernising local industries. Another \$1 million was spent on projects to preserve biodiversity in Belovczhskaya Pushcha and Berezinsky Nature Preserve. A considerable amount of grant money covered the cost of developing a project to modernise municipal water supply and establish a flood-resisting infrastructure along the river Pripyat. However, further funding of environmental project by the Bank was made dependent on substantial changes in the macroeconomic situation in Belarus. Despite this decision, both parties are actively investigating avenues for further partnerships.

Belarus is an active partner in international environmental cooperation. This partnership inspires the hope that the return to the mainstream path of economic development will enable Belarus to work effectively with other countries on finding a solution to the environmental crisis. Belarus has considerable technical and human resources to modernise its technologies and make its economy more friendly towards the environment. However, Belarus could make far more progress along those lines by benefiting from the findings and technologies of other countries, shared with it through the mechanism of inter-

national cooperation. Agenda-21 specifically calls on the more developed countries to share environmentally friendly technologies with others. Such sharing is in the interest of the entire mankind, as we are all living on the same planet.

Personal security and crime control

The National Sustainable Development Strategy puts people in the centre of technical, social and economic development, which should serve to improve their spiritual and physical health and create a safe and favourable living environment. In this respect, the security of the individual should be the primary objective of the state and society. Personal security is also an essential aspect of national security, as stated in the National Security Concept, adopted in 1995. To ensure personal security means to protect the vital interests of the person from external and internal threats related to political and military activity, as well as environmental, information and humanitarian safety. Personal security is also an important aspect of the National Security Concept of the Union of Belarus and Russia, approved by the Supreme Council of the Union on April 28, 1999.

Trends in modern crime

Modern crime is a common and powerful threat endangering all aspects of human activity, personal security, as well as the physical, mental, material, environmental and informational safety of the individual. No component of national and personal security is out of crime's reach. The ongoing process of globalisation is also affecting crime, extending it beyond national boundaries. As a result, crime has become not only a domestic, but also an external threat, coming mostly from a rise in terrorist and extremist activity, drug and human trafficking, illegal migration and arms trade, and many other types of crime.

At the national level, crime is seen as a social ill and a by-product of the social system within the state. The nature and patterns of crime follow the course of socioeconomic and political transformations in society. The policy of the state towards crime should adjust to those changes as they are happening and react to them effectively in order to protect the people, society and the state from crime. Speculations about a steady decline in criminal activity under Soviet rule are in fact groundless. Our research suggests that ever since the enactment of the new Criminal Code in 1961 crime has in fact been steadily rising (fig. 2.8).

The structure of crime has been worsening along with the rising crime rates. The average annual number of crimes recorded during the second decade of observation (1971-1980) was 32.1% higher than in the first decade. In the third decade, the average annual number of crimes was up 52.8% on top of the second decade. During the fourth decade of observation, it increased by a further 108.4% relative to the third decade. Year-on-year crime levels have been growing accordingly. From 1991 to 1999, the number of recorded crimes averaged 111,818 per year, up from 27,563 in the first decade of observation (1961-1970). Overall, the average annual number of recorded crimes has thus increased 4.2 times.

Crimes have not only increased in number but also become more serious. The proportion of serious crimes increased from 14.2% of total recorded crimes in 1991-1992 to 52.5% in 1999. Of all crimes committed by juvenile delinquents in 1999, the share of serious crimes was 69.2%. Over the same time period, the overall number of recorded crimes has increased from 795 per 100,000 population (including 112 serious crimes) to 1303 per 100,000 population in 1999 (of which 683 were serious crimes). The rise in the number of crimes is accompanied by an increase in the number of crime victims. By 1999, this number had reached 64,742 (640 per 100,000 population), which is the highest rate recorded since 1993.

The above data reflect recorded crimes and victimisation levels. In reality, the number of crimes - and victims - is a lot higher.

Crimes have become more dangerous to the individual. A growing proportion of crimes are committed by armed criminals, who often act boldly, mercilessly and unexpectedly. The structure of crime has also worsened. Corruption, organised and white collar crime, illegal drug trafficking, economic crime - particularly in banking, finance and private enterprise - as well as money laundering, are just a few types of criminal activity that have become more common than before. Economic and general crime are merging at an alarming rate, and a great proportion of crimes remain unsolved or even unrecorded. Of all recorded crimes committed in the first quarter of 2000, 30.3% have not been solved, and the share of unsolved crimes is increasing. Economic crime is by far the most common, accounting for over 70% of all committed crimes. Areas most vulnerable to criminal influences include private enterprise and civil service.

In summary, crime is a social ill, and its incidence has been increasing steadily in Belarus while the structure of crime has been worsening. This tendency is more or less visible in different socio-economic conditions. The increase of crime has been felt particularly strongly over the last decade (from 1991 to 1999), and will continue to be felt for many years to come, as suggested by the crime statistics for 1999 (fig. 2.9).

At present, there are 1303 recorded crimes per 100,000 population in Belarus. In Western countries, this number varies from 5,000 to 14,000, and is predicted at 6,000 to 8,000 world-wide. In the specific circumstances of Belarus, the crime rate will likely increase. The factors conducive to crime are weaknesses in the laws that govern market relations and fight against crime, incomplete transition to the market system, high influence of the criminal communities on the market relations and rising incidence of deviant behaviour, potentially conducive to crime - such as alcoholism, drug and substance abuse, prostitution, vagrancy and homelessness. By mobilising the resources of the criminal justice system, it is possible to control this process, extending it over a number of years. If, however, the criminal justice system fails to act as a factor of restraint, another sharp surge in crime, similar to one that happened in 1989, is inevitable.

Recently, crime has acquired a new quality. Today, it is a structure that has permeated all parts of social and public life and subdued all types of human activity. It is becoming more organised, better equipped, more evil and

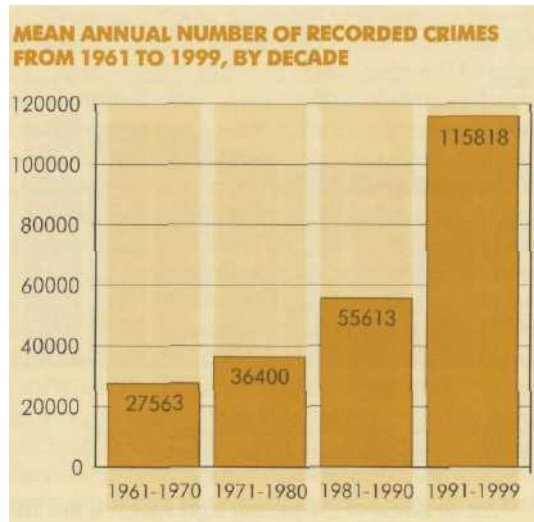


FIGURE 2.8

adaptable to social circumstances. It has the capacity to corrupt virtually any social institution, and the ability to survive and protect itself.

The new economic environment has created a breeding ground for criminal activity that exploits human weaknesses, such as drinking, drug abuse, prostitution, pauperism and gambling. Such exploitation, supplemented by a rising shadow economy, widespread money laundering, a get-rich-quick attitude and morality are increasing the attractiveness of crime.

Criminal activity also has a strong international component, particularly with respect to the illegal trafficking of drugs, weapons and vehicles.

Crime should not be approached merely as a sum of infractions of law. It should rather be considered a threat to the entire social fabric and state system, affecting different areas of public life, every institution of the state and society, and ultimately, every person and his security. This is where the main danger of crime lies. To counter this threat, society should offer strong resistance to crime and its influence in every possible area. But this is exactly what the criminal justice system has been unprepared to do. It has been unable to fight this new type of crime, which has permeated every part of society - from the very top to the very bottom - and has shown a remarkable capacity to expand and reproduce itself. This failure was not unexpected, because the criminal justice system and the laws by which it is governed are known to be inert and slow to change.

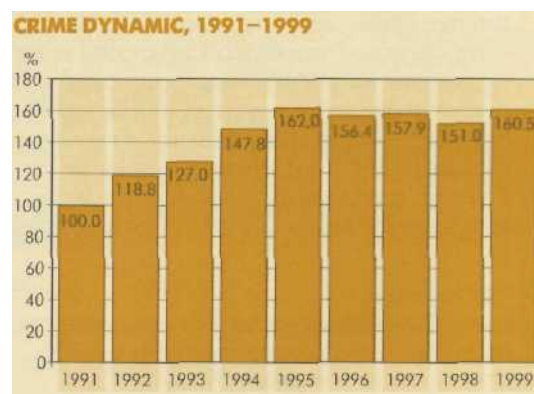
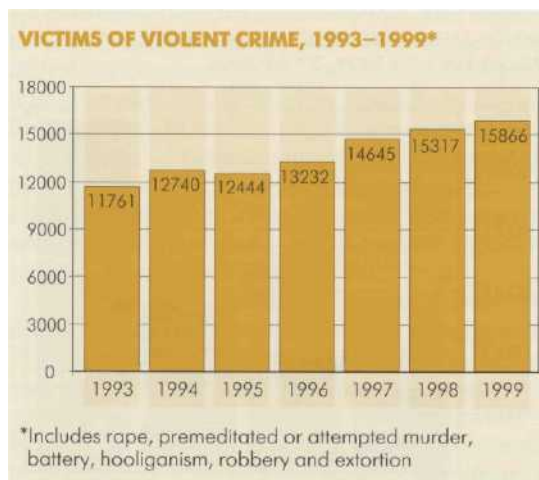


FIGURE 2.9

FIGURE 2.10



One weakness of the present legal system is that the new criminal procedure and penal codes will not take effect until January 1, 2001. Until then, the criminal justice system will be governed by the old codes, which are unable to address many issues related to crime control in a new environment. The body of regulatory documents and bylaws, which is intended to guide the implementation of the law, is in a worse condition than the law itself. No serious remodelling of the criminal justice system has yet occurred. There is no separate judicial system for juvenile delinquents, and no understanding has been achieved with regard to its structure and components. The cornerstone of such a system – a juvenile court – is not in place. The penal system is slowly disintegrating. Prisons and penitentiaries are filled 40% above their capacity, making the reform of a criminal offender a highly elusive goal. There is still a need for a fully independent penal system to administer and run penal institutions and oversee the execution of penalties that do not imply the offender's incarceration. Each of those systems should have its distinct structure, objective, functions and reporting duties.

Personal security and protection of crime victims

The degree of personal security depends greatly on the state of law and order. There are many crimes that pose a threat to personal security, including violent assaults

and offences against property. The former include murder, battery and rape, and the latter robbery and extortion. Deaths and injuries can also be caused by crimes committed through negligence (e.g. those leading to traffic accidents).

From 1996 to 1998, there was a rise in the number of murders (fig. 2.10). By 1998, it had reached 1154 (including attempted murders). In 1999, it declined to 1109, which is equivalent to a figure of 16 crimes committed by men per 100,000 male population (down from 18 in 1998). The number of criminal assaults leading to severe body injuries has also continued to increase. 1849 such assaults were recorded in 1999, up 7% from 1998, and 24.4% up from 1996. The number of assaults leading to less severe body injuries in the victim are also rising, numbering 1330 in 1999. This represents an increase of 11.1% relative to 1998 and 35.7% relative to 1996.

Hooliganism is also becoming an increasingly frequent type of crime: 5317 incidents were recorded in 1999 up 7% from 1998 and 28.0% from 1996. The number of robberies also increased by 2.7% relative to 1998, reaching 1441 in 1999. By contrast, the number of rapes went down 19.4% from the 1998 level to 461 in 1999. However, the incidence of rapes per 100,000 women aged 15 to 59 remained very high, at 17 per 100,000 women in 1999. It had even increased relative to 1997 and 1998 from 15 rapes per 100,000 women in 1997 and 14 in 1998. The number of injuries and deaths due to traffic accidents declined to 84 per 100,000 population in 1999. This is the lowest recorded number since 1990. Despite this positive development, the absolute number of people who die and receive injuries in traffic accidents still remains very high.

Criminology research suggests a high level of anxiety about personal security in Belarusian society. Recent polls – conducted among law enforcement and justice officers – suggest that this concern of the general population is also shared by law enforcement officers. Similar to the general population, law enforcement and justice officers have also pointed to perceived high levels of violent crime in their local communities and in Belarus as a whole.

As many as 95.3% of the poll respondents are concerned about personal security and high levels of violent crime in their communities. Of them 36.1% were "extre-

BOX 2.8

The two ultimate penalties permitted by the new Belarusian criminal law are life imprisonment and the death penalty. These two alternative punishments can be applied exclusively for extremely grave crimes, involving premeditated murder committed under aggravating circumstances. At present, this appears to be the best approach that meets public needs and expectations. By restricting the death penalty to premeditated murder committed under aggravating circumstances and creating an alternative to the death penalty in the form of life imprisonment the new code will gradually bring about a transformation in public opinion in favour of replacing the death penalty, to which the author is opposed, with life imprisonment. The law also makes it possible for the life sentence to be reviewed by court after a minimum of twenty years have been served. Taking into consideration the age of the offender, his health and behaviour record while in custody, the court may decide to commute the life sentence to fixed term imprisonment. This possibility, as well as the introduction of an alternative to the death penalty, represents a humane and liberal approach to the complete abolition of the death penalty in the future.

V. M. Khomich.

Penalties in the Criminal Code – a Social and legal Assessment

Source: *Theoretical and Legal Support for the Reform of the Law Enforcement System*
International Research Conference (Minsk, April 22-23)
Economy and Law Series, Minsk, 1999, p. 326

mely concerned", 41.4% "greatly concerned" and 17.8% "moderately concerned". 97.3% of those polled were anxious about crime in their Oblasts (36.5% "extremely concerned", 43.3% "greatly concerned" and 17.5% "moderately concerned"). Of those worried about high crime rates within the country (98.1%), 42.5% were "extremely concerned", 40.9% "greatly concerned" and 14.7% "moderately concerned".

Law enforcement and justice officers believe that the common citizen is at risk of becoming a victim of crime. This opinion was shared by 90.7% of the poll respondents. Of them, 11.7% described this risk as very high, 40.4% as high and 38.5% as moderate.

The experts view the way in which the victims of violent crimes are protected during investigation and in court as highly indicative of the state of personal security in general. The majority of the law enforcement and justice officers (60.6%) believe that such protection is just a formality. A significant proportion of the poll participants (34.1%) have indicated that the criminal justice system cares more for the criminals than it does for the victims. 11.1% stated that the rights of the victims were being completely ignored, and only 26.7% of the poll respondents believed that the protection of the victim was a priority for the criminal justice system.

The need to protect victims, witnesses and their families from criminal threats, physical violence and pressure from the criminal underworld has still not been fully acknowledged by the law enforcement authorities. 47.1% of the poll respondents indicated that witness and victim protection measures were being taken on a case-by-case basis, upon receipt of information suggesting that the life and health of the witness or victim may come under threat, and 6.7% are convinced that protection measures are always put in place when there is information about pressure from the criminal community. By contrast, 35.6% stated that witness and victim protection measures are never applied, and 10.6% were unaware that such practices even existed.

The changes that were introduced to the Criminal Procedure Code in 1997 led to some improvements in witness and victim protection, but were insufficient to solve the problem. The rights of the victim are a unique aspect of the criminal justice procedure, and should be governed by a separate law.

In a market economy and a reforming civil society, courts of the peace are a useful institution and can play a highly positive role. Courts of the peace had in fact been very successful in Russia and Belarus prior to the revolution. They exist in the United States, the United Kingdom, Canada and some other countries. It is believed that by reinstating such courts in this country, justice would be made more accessible to people, and the procedure to deal with the less serious cases would be simplified. Another argument in favour of such courts is the inefficiency of the peer courts, that existed under Soviet rule but have now disintegrated. Despite attempts to restore the peer courts, there is little hope that they will be able to function properly in the present environment. One major advantage of the courts of the peace is their emphasis on achieving reconciliation and compromise between the conflicting parties. And compromise is the best possible solution of a dispute for the individual and society, as it contributes to civil peace and public accord. It is therefore not surprising that the prominent jurist A. K. Koni described the court of the peace as an institution which people could readily access to find justice, and a school of trustworthiness and respect for human dignity.

Every year, tens of thousands of Belarusians become victims of various types of crimes - such as murder, battery, rape, robbery, extortion. There were 54742 crime victims in 1999 alone. As the number of victims continues to grow, the conflict between the criminal and victim is not resolved with the passing of a court sentence, which often fails to restore justice and undo the moral, financial and physical damage caused to the victim. As a result, moral and psychological tension continues to build within society, as more and more people are dissatisfied with the work of the ruling authorities and the justice system. It is therefore extremely important to rethink the goals and objectives of the criminal justice force. Its focus should be shifted from the criminal to the victim, making the protection of crime victims a policy priority. It is also necessary to develop state policy to protect crime victims. The concept of such policy should lead to a law to govern victim protection that would hopefully stop the increasing victimisation of the Belarusian public.

Punishment of convicted criminals is also an important issue that calls for a separate discussion.

Imprisonment has been the single most frequent penalty prescribed by courts in the last three years. Convicted offenders have been sentenced to various terms of imprisonment in 36% of the criminal cases heard from 1996 to 1999, and in 36.1% of the cases heard in 1999. Mean annual number of prison sentences per 1000 convicted offenders have declined during the period 1991-1999, relative to the previous decade. State policies towards crime control favour a further decline in the proportion of prison sentences and an increase in the application of penalties that do not involve the offender's isolation from society. The justice system should serve to reform the offender, and reformation and rehabilitation should become its key objectives. The focus of the justice system will be on protecting the victim and its ultimate objective will be to restore justice, order and rule of law in society, promote reconciliation between the criminal and victim and compensation of the damage caused to the victim as a result of the crime.

Juvenile delinquency

The number of crimes committed by juvenile delinquents has stabilised and even decreased somewhat in the last several years. The highest number of juvenile crimes

BOX 2.9

1.1. Martinovkh,

Experience of the Judicial Reform in the Russian Federation

Source: *IMW And Democracy: a Collection of Research Papers. Issue 9, Minsk, 1998, pp. 227-228*

was recorded in 1995 followed by a period of stabilisation in 1996-1998 and a 5.5% decline in 1999 relative to 1998. However, the overall incidence of juvenile crimes is still 11% higher than in 1992.

The number of youth delinquents as a proportion of total found offenders has also declined from 14.8% in 1992 to 11.9% in 1999. However, in terms of absolute figures, this positive dynamic is less conspicuous. From 1992 to 1999, the number of youth offenders had increased by 5%. The majority of crimes committed by young offenders are crimes against property (73%), including theft (61%), followed by hooliganism (9.9%), vehicle theft (3%) and crimes against the person (2.9%). Other crimes represent 11.2% of all offences committed by minors. A continued noticeable increase in the number of grave crimes is particularly alarming. It is also of concern that the percentage of grave crimes committed by young offenders is increasing faster than the proportion of such crimes committed by adults. The most widespread grave crimes are premeditated murders, infliction of severe bodily harm, gross hooliganism and robberies.

The percentage of crimes committed in gangs is 2-5 times as high among young offenders as among adults, ranging from 40 to 80%, depending on the type of crime. These and other features of juvenile crime make it extremely dangerous to society. Despite a certain decline in juvenile crime statistics, recorded from 1996 to 1999, it would be premature to conclude that the situation has improved. One factor that precludes such a conclusion is the deteriorating structure of juvenile crime. Of all young offenders who committed crimes in 1999 more than two thirds were studying in secondary and vocational schools. As secondary and vocational students represent 87% of all academic enrolment, crime prevention among teenagers, particularly those studying in secondary and vocational schools, should become a strategic objective of all efforts to control crime.

There is an apparent need to develop a concept of a state policy to prevent juvenile crime, leading up to a dedicated programme to deal with those issues. The programme should call for a large set of measures, and in particular for the establishment of a separate system of juvenile justice. Preventing youth crime is perhaps the biggest and most important objective of the state dealing with crime control. Therefore, expenditures on youth crime prevention should not be regarded as a burden on society, but rather as an investment in its future development, protection of personal security, as well as de-criminalisation of youth and society in general.

Other types of crime

Corruption-related crime is perhaps the most disruptive for the entire system of public administration. It attacks public service from within, has a demoralising effect on society and undermines the process of governance by creating a public perception that the state apparatus is all-powerful and knows no limits. The most typical and dangerous corruption-related crimes include bribe-taking and bribe-giving, theft and embezzlement, or abuse of power or position. In 1999, the number of recorded crimes involving bribe-taking and bribe-giving increased by 8.5%, abuse of power or position 34% and theft 20%.

Theft is the most widespread type of corruption-related crimes. There were 4975 recorded thefts in 1999, followed by bribe-taking and bribe giving (782 recorded offences), and abuse of power or position (217). The actual number of such crimes is much higher, but many of them remain unreported for a number of reasons.

The fight against corruption does not always result in inevitable punishment for the perpetrators. Penalties are often too lenient, making prevention difficult and reducing the impact of criminal penalties and law as such.

The scale of corruption is suggested by the finding of the poll conducted among the law enforcement officers who are directly involved in the investigation and persecution of corruption-related offences. The scale of corruption was described as extremely large by 10.7% of the poll respondents, large by 40.9% and average by 35.4%. According to law enforcement officers, corruption was the highest in government agencies involved in making economic and financial decisions, as well as the law-enforcement and control authorities. In the opinion of those officers, officials in decision making positions within those agencies were the most corrupt. This perception is also confirmed by the findings of a similar poll conducted among private businessmen.

The participants in those polls indicated that the most frequent matters, addressed through acts of corruption, were the acquisition of loans (62.5%), issue of licences (60.3%), clearance of goods or merchandise through customs (59.7%), avoidance of criminal or administrative persecution (46.2% and 43-4%, respectively), reduction of penalty (45.2%), exemption from criminal liability (43-1%) and representation in government agencies (37.2%). All of these data indicate that corruption remains an issue for nearly all levels of government, and substantial efforts are required to address it.

Drug trafficking and other drug related crimes is a growing problem that has a dire effect on society, and the spiritual, moral and physical health of the Belarusian people, especially young people and teenagers. The dangers of drug-related crime are increased by its connection with organised and economic crime, as well as international criminal communities.

As a distinct type of crime, drug trafficking has been rising steadily in recent years. From 1992 to 1999, the number of recorded offences involving drug trafficking increased four times, reaching 316.3. Growth was the fastest in 1992-1993 and in 1997-1998. There has been an increase in the incidence of crime related to drug addiction, including theft, robbery and crimes against individuals. From 1992 to 1999, the number of such crimes had increased six times to 1434 in 1999. In 1998 and 1999 the number of such crimes recorded by the police authorities declined. However, this decline does not mean a reduction in the absolute number of such crimes and may be attributed to changes in their qualification by the police authorities. The relative number of drug-related crimes is increasing, reaching a high of 32 per 100,000 population.

In 1999, the police found 1554 perpetrators of crimes related to drug trafficking and drug abuse, down 133% from the 1998 level. Of them, 92 (5.9%) are minors, and 961 (61.8%) are young people aged 18 to 19. Young people comprise 67.7% of found offenders. Of 92 minors

charged and convicted of drug offences, 65 (70.7%) were studying at secondary and vocational schools. This suggests that drug abuse, and crimes associated with it, is a problem that affects young people more than any other group. It is particularly dangerous because, once coming into schools, it has not encountered any significant resistance within them. An increasing number of drug crimes are being committed by women (535, 21.6% of all found offenders) and recidivists (545, or 35.1% of found offenders).

This type of crime has a high degree of latency and depends greatly on the number of drug users. As most drug users are young people, such crime constitutes a direct danger to the life and health of the nation, and particularly the younger population. Uncontrolled growth of drug addiction also carries the concomitant risk of HIV, venereal diseases, hepatitis and other dangerous infections affecting large numbers of people. This threat is further increased by the after-effects of the Chernobyl disas-

ter, making it as necessary as ever to take active steps for the prevention of drug addiction and drug-related crime.

Recognising the dangers of crime to the state, society and the person, the leadership of the country has taken active steps to fight and prevent criminal activity. Some of those steps call for greater coordination among law enforcement authorities, the criminal justice system and other ministries and agencies. The State Programme to Strengthen the Fight Against Crime for 1999-2000 has been approved by a presidential decree. An interagency commission to fight crime has been meeting regularly since 1995 to discuss the serious issues related to crime control and formulate consistent policies to address them.

A concept of the state drug control policy was adopted in 1996, leading to a state programme for 1997-2000 to implement it. Work is in progress on formulating a similar programme for 2001-2005 among other steps designed to resist crime and minimise its consequences.

Belarus and a united Europe

From a geographic perspective, Belarus is found in the centre of Europe. Ideally, it should be grouped with the Central European countries, but proximity to any particular group is not simply based on geography but also on economic, social and political characteristics. Europe is a highly complex system. It includes a wide array of states - from highly industrialised in the West to stagnant in the East. Analysis of the macroeconomic situation in Western and Eastern Europe would paint the following picture.

In 1998, of 46 countries with a high HDI ranking, 26 were European. Of these 26, two countries - Norway and Iceland - were among the top five and four in the next five. Of the top 15 states with the highest HDI ranking, 11 were European. Germany alone (8th in the global HDI rank), produced more than 9% of the total GDP in countries with a high human development ranking. Its GDP per capita is 322,169 (at PPP). The highest per capita GDP was recorded in Luxembourg (\$33,505) and the second highest in Switzerland (825,512).

Despite its central European location, Belarus is a medium human development country, ranking 57th among 174 countries of the world.

Belarus' share in the total GDP of the medium human development countries is just 0.09%. In 1998, its per capita GDP (in PPP US dollars) was \$6,460. Belarus is certainly far behind the other advanced European economies. But we may still comfort ourselves with the knowledge that we are not the last. Belarus is still ahead of nine other European countries. Is it purely economic reasons that stop us from integrating into Europe? Are we a part of Europe after all?

Europe is rapidly moving towards integration. The European regional coalition is probably the oldest in the world. Its economic roots lie in the Marshall Plan, but its historical and cultural origins are far deeper.

BOX 3.1

Contrary to Ukraine, Belarus remains one of the most Soviet-style republics of the former USSR. The mentality of the partisan and peasant was deeply engrained in the minds of the Belarusians during World War 2. The post-war political elite of Belarus - which became known as a republic of partisans - had literally walked out of the forest. As a result of rapid post-war industrialisation, most of its urban population - even in the capital - were first-generation peasants turned manual labourers or intellectuals. The absolute majority had had too little time to adjust to living in a new environment.

It is quite natural that, unlike Ukraine and Russia, whose first presidents were members of the technocratic party elite, Belarus elected a "peasant" president. Many Russians and Ukrainians now share a popular myth about Belarus as a country where wages are paid on time, and the president - "the father of the nation" - is concerned with the well-being of every common citizen.

The Belarusian president certainly has the highest rating of all CIS leaders and enjoys popular support, despite being criticised by his pro-democracy opponents for human rights violations and restrictions of press freedoms. By not rushing to capitalism, Belarus has maintained a relative peace of mind for its population and the highest living standards in the former Soviet Union.

The seedbed of the European civilisation is the ancient culture and the Christian tradition. The former discovered the human spirit, and the latter transformed the towns and cities that lay within the borders of the Roman Empire into centres of a spiritual renaissance. The supranational status acquired by the Western Church made it an heir to the Roman Empire and left a deep imprint on the growth of the European civilisation. Contrary to the Eastern religious tradition, the tenets of the Western church empowered every believer to interpret the Bible independently and held that the path to salvation lay through personal faith. These views formed the basis of the civil liberties and opened the way for individualism, which lies at the root of the Western economic culture.

The economic and political development of Europe in the middle ages was influenced by Roman law. In the words of Karl Marx, "the Romans were the first to proclaim the right to private property and introduce abstract law that affirmed the rights of an abstract individual". [K. Marx, F. Engels, Selected Works, V. 1, p. 347].

The tenets of the Roman law were first incorporated in the royal charters, and then in laws of the bourgeois states, giving rise to individualism and making it a part of the law and the cultural tradition.

Although the concepts of individualism, the market and the civil society were born in Western Europe, they were fully implemented in the United States, the destination of many emigrants from Europe. After World War 2, these concepts were brought back into Western Europe from the United States.

However the first proposals of European unification were made a lot earlier. In 1930, the French Minister of Foreign Affairs, Aristide Briand, formally presented a plan to create a federal union of Europe. Although never implemented, the plan not only highlighted the leading role of France and Germany (Briand-Stresmann), but also lay the ground for a new component of European security - a "common market", in which "the movement of goods.

V. Dergachev

"Geopolitics", Kiev, 2000, pp. 391-392

capital, and people" would be gradually liberalized and simplified, and which would lead to lasting peace by building cross-border links in different sectors.

'Ibday, European unification is not seen as a union of nation states, but rather as a union of civil societies. Priority is given to intra-regional ties that transcend the national boundaries. European integration is presently moving towards establishing a community of European regions. It is no longer driven just by formal, intergovernmental contacts, but also by the involvement of many parts of the civil society. The traditional vision of international relations is no longer restricted to the role of major economic and political actors, but also incorporates wide public participation. These grassroots contacts, once supported through governmental channels, are acquiring a new dimension through the increased role of modern communication tools, such as the Internet.

Having passed all stages of regional integration - from a free trade Zone through a customs union and a common market to an economic union - the post-war Europe has created opportunities for deep political integration driven by the civil society.

The historical, cultural and civilisational background of Belarus has been far more complex and, at times, controversial.

The third partition of Poland left Belarus in the realm of Czarist Russia. In the Russian empire, Belarus was a backward, mainly agricultural, province, and a victim of the colonialist policies of the Russian government, which impeded its industrial development. Historical records from those years abound in government circular records that advise directly against developing industries in the Western provinces, that were believed to be "unstable, connected to Poland and too close to the Western borders of the Empire". [Dudkov, D. Development of capitalist in Belarus in the late 19th and early 20th centuries, Minsk, 1932, p. 92].

As a result of the government policies, the living standards of the Belarusians were extremely low. Poor living standards affected the development of the domestic markets, the class structure and the mentality of the nation in

general. The wages of Belarusian industrial employees in 1913 were 28.4% below the average level in central Russia and the Caucasus and 51% below the average wage levels in the Saint Petersburg province. [Malinin, S. N.m industrial Development of the Belarusian Soviet Socialist Republic, Minsk, 1948, p. 24].

The psychology and mentality of the Belarusian nation have been molded by its social and political development. But the seven decades of evolution within the Soviet Union (five decades for Western Belarus) have raised the living standards of most Belarusians relative to the pre-revolutionary period. By the early 1990s, Belarus had achieved one of the highest living standards within the former Soviet Union, ranking fourth by the size of per capita GDP (\$6100). That is why the Soviet period is associated with relative prosperity in the minds of many Belarusians and why so many Belarusians are nostalgic for the past, ready to abandon their national identity and remain one of the most Soviet-style republics.

In summary, the Belarusian society has emerged at the social and cultural boundaries of the East and West, and its growth has been influenced by the Catholic, Orthodox and Uniate churches.

The traditions of individualism and self-government have come from the West, and Russia has contributed collectivist traditions and the achievements of industrialisation. Placed within the confines of the collectivist and individualist tradition, most Belarusians - especially those with a Soviet-type mentality - equally reject Protestantism and the spirit of capitalism, and are unable to choose between the purely capitalist, traditionalist or socialist paths of future development. Furthermore, many opinion polls suggest that a considerable proportion of Belarusians who have lived in an isolated society still regard Western civilisation as hostile to them.

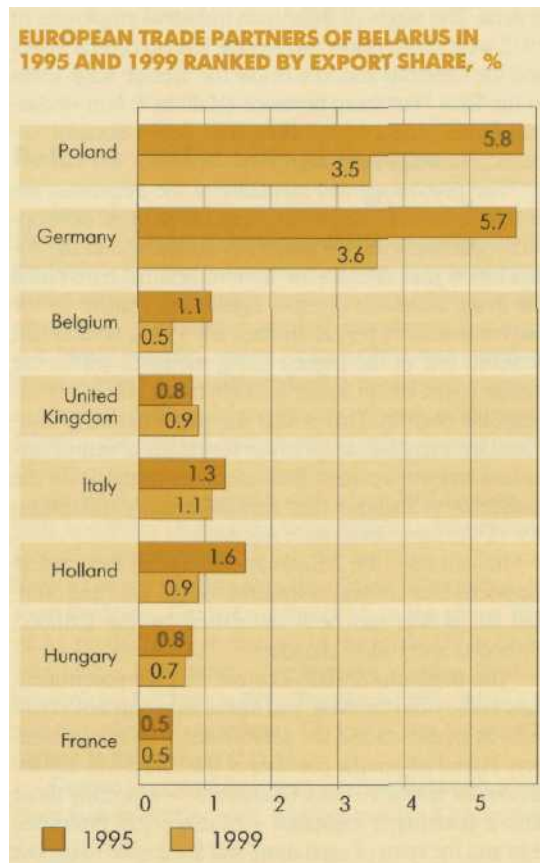
The world is presently being affected by two opposing movements - towards integration and towards disintegration. These movements coincide with two Durkheimian concepts - of solidarity based on interdependence and solidarity based on identity. The first type of solidarity builds on trade and product exchange among

BOX 3.2

In fact, the balance sheet of the transition drawn up by the ECE in 1996 appears to confirm the analyses and predictions made in 1989. The main lessons to be learned can be summarized under five headings: (i) the economic activity in a country or a region cannot be detached from the socio-political context since these two factors interact; (ii) the unfortunate conjunction of the collapse of the centrally planned economies and the triumph of supply-side economics in the West is probably to blame for the mistaken advice frequently offered to the governments of the countries of Eastern Europe and incorporated in their economic policies. More especially, the role of the State in the management of the transition process was considerably underestimated, as was the fact that an efficient market economy can be guided by a variety of policies; (iii) development strategies must be backed up by a proper division of responsibilities between the government and the market, the balance between the two varying from one country to another. Among other things, the State is responsible for providing such essential things as peace and security, an institutional framework and decision-making machinery that ensures transparency and efficiency, as well as reliable information and credible policies; this array of instruments helps to minimize the negative effects of uncertainty on the economic operators; (iv) as exemplified by the European Union, an overall vision and objectives to be achieved, even a degree of flexible planning on the French model, would seem useful for guiding development strategy and imposing a certain consistency on the policies applied; (v) finally, it is essential not to try to reproduce a particular model, however successful, in another country but to take into account the diversity of socio-political contexts and the unequal levels of development.

The ECE in the Age of Change, New York and Geneva, 1998, p. 53

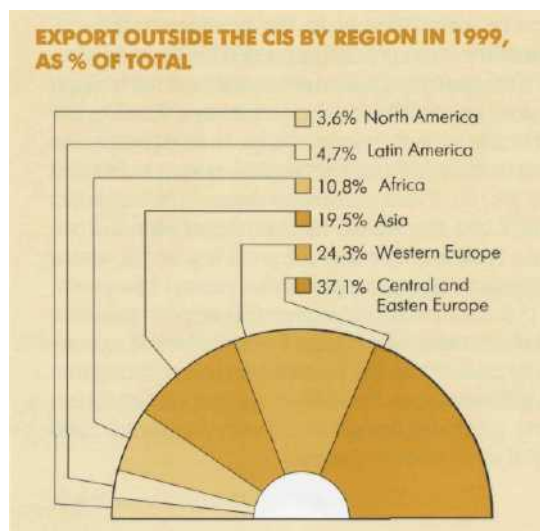
FIGURE 3.1



producers. Specialisation and the division of labour in industrialised countries lead to increased interdependence between large, medium-sized and small businesses, particularly in the processing sectors and services. Economies of scale and growth of communications make the feeling of global interdependence extremely tangible and consistent with the process of globalisation. This causes regional economies to expand beyond the national boundaries, as seen from the EU experience.

Solidarity based on identity forms a nation. The nation is held together by a shared feeling of community, a common destiny, history, culture and language. This type

FIGURE 3.2



of solidarity brings people into national and local communities as a means of asserting their personality and uniqueness from other nations and communities.

In Belarus, these types of solidarity are manifested in three different ways, each contributing to the picture of the Belarusian society and its development. Firstly, Belarusians are reluctant to identify themselves as a nation with its own distinct culture and language. Secondly, there has been a large degree of interdependence - on the micro level - between individual enterprises of Belarus and former USSR regions, particularly Russia. Thirdly, the dominance of Orthodoxy, which emphasises collectivist values, has curtailed individual liberties.

The failure of the market reforms has had a substantial impact on our development. The reforms have not succeeded because they have been implemented according to the Western pattern, which is incompatible with the popular mentality. The transformations have led to a period of political, economic and social turmoil. The Western worldview, however advanced, is still limited.

Furthermore, the inconclusive and inconsistent attempts to conduct political, social and economic transformations have undermined the trust in reforms as such not only in Belarus, but also in many other CIS countries. These timid and weak attempts to implement changes have aimed to combine things that were absolutely incompatible - an open society and a liberal economy, on the one hand, and incompetence in politics, law and science, or freedom and lack of education. As a result, the old social ills - corruption, graft and income gaps - still persist. The state of legal insecurity - which had existed previously, has developed into lawlessness, and allowed the criminal underworld to take control over many areas of society. People seek protection not from the state, but from the criminal communities. Gender discrimination has become worse, making women the most likely victims of unemployment. There are too few women in government, the House of Representatives and in other leadership positions.

It is not enough just to wish for accession to the EU - even if such a wish did exist. Macroeconomic indicators have to reach certain appropriate levels (fig. 3-1).

In 1995, for example, Central and Western Europe accounted for 18.2% of Belarus' foreign trade, but by 1999 this proportion had declined to 16.5%. In the structure of Belarus' exports, Central and Eastern Europe, accounting for 37.1% of Belarus' exports, clearly dominate over Western Europe, with 24.3% (fig. 3.2).

Belarus has developed on the boundaries between the East and West. Without having any significant natural resources, Belarus has an advantageous geographical location for the transit of goods between Russia and West European countries, such as Germany.

According to UN projections, fuel and energy resources will continue to be in high demand in the 21st century. Today, natural gas is the main source of energy in Western Europe. The use of gas means less pollution than using coal or oil, and is less cumbersome than relying on nuclear energy. In addition gas is supplied from a greater variety of sources at more competitive prices than oil. This explains the high number of projects to build new pipelines and expand the existing ones.

These projects open the door to new intra-European partnerships - between Western, Central and Eastern Europe, which is the main buyer of natural gas, the transit countries, and the producers of gas. As many important gas and oil pipelines go across Belarus, these partnerships may serve as an essential link between the East and West.

The progress of cooperation between Belarus and Europe is linked to the gradual transition of Belarusians from a Soviet-type mentality and collectivist psychology to individualism and democracy through certain intermediate stages. For example, when the country began privatisation in the 1990s, it had no experience or culture of managing private enterprises, particularly large ones. Therefore, countries such as Belarus or Russia should not have abandoned the practice of letting state enterprises operate on a self-supporting basis and distribute their profits in a certain prescribed manner. This type of enterprise management is fairly widespread in the United States, and it also exists in Japan. In Belarus, it would have provided a good mechanism to prepare the nation's enterprises for privatisation. Because it is a good blend of collectivism and individualism, such an approach would have been extremely useful.

Cooperation at the micro-level - between public organisations, political parties, universities, enterprises and schools - is also a good way of promoting Belarus' cooperation with Europe. The growth of the civil society starts with the individual's mind, and this is usually a slow and painful process. Therefore, cooperation between Belarus and the West should continue, no matter how unacceptable its state policy is to the West, and the focus of such cooperation should be on the micro-level.

A strategy to enter the world community

Belarus - drawing parallels with Europe

Globalisation should lead to a rapid and effective inclusion of a country in the global information and communication infrastructure and upgrade its economic, financial and other transactions with other countries. Furthermore, the economic, political and social elements of such transactions are affecting the lives of all of humankind. For Belarus, globalisation means reaffirming its position as a European country. Integration into the global community will thus mean becoming a part of the European tradition. Connections on the sub-regional level - with Russia, Ukraine, Poland and the Baltic States - will be also be of significant importance. Thus, an integration strategy for Belarus would depend on its ability to build a European identity and a new socio-economic system.

Systemic reforms are bringing substantial changes to the lives of Belarusians, and are opening the country to the outside world. In this respect, the background of Belarus - as a country that was formerly behind the iron curtain - raises questions about its compatibility with the advanced democracies and competitive market economies of Europe.

Hopes for a rapid transition to a new political and economic order have been overly optimistic. After almost a decade of transformations, the systemic reforms have not gone past the very initial stages. The transition to a

new socio-economic system now appears to be a very distant target - to be reached no sooner than in 20 or 30 years. The speed of adjustment to the values of a market economy and civil society will also be an important factor of such a transition.

So what do the Belarusian people prefer - equity and social justice, or competition, that brings higher incomes, but only to some? This is the question that explains the nature of Belarus' dilemma, and its choices for the future. No one but the Belarusian people themselves can make those choices that will eventually affect their lives at present and in the not-so-distant future.

One of the most recent dilemmas for Belarus is the gap between the openness of its society from within and to the outside world. During the latter half of the 20th century, Belarus has had a fairly open economy. In the beginning of the 1990s, 47% of its GDP was export-oriented. Today Belarus still has a significant share in the global production of some goods and services in proportion to its share in the global population (0.18%) and land area (0.15%).

In Europe, Belarus is in the 13th place by its land area (207,600 square kilometers), and in the 14th place by its population size (10.2 million). However, it is lagging significantly behind most other European states in terms of its socio-economic development. Per capita GDP in Europe's leading states (Belgium, Switzerland, the Netherlands and Denmark) exceeds \$20,000, whereas in Belarus it equalled just 55,884 in 1997 and 16,894 in 1999 (the latter figure was calculated in accordance with the new methodology). The two countries that are immediately ahead of Belarus in terms of per capita GDP are Portugal and Cyprus, but even there it is twice as high.

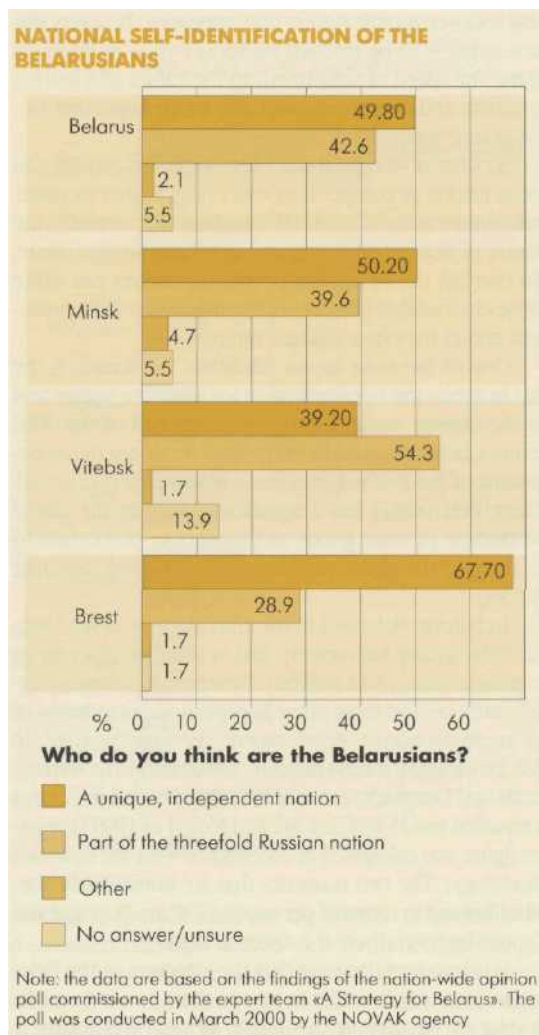
It is important to note that the structure of the Belarusian economy is similar in type to that of an industrially developed country in the 1960s. Belarus has relatively well-developed engineering, light, chemical and food industries. It has achieved high levels of advancement in sectors such as potassium salt mining, flax farming and potato farming. Output in those sectors represent 11%, 8.7% and 3-1% of the global output, respectively. In fact, Belarus is often distinguished among other countries by its leadership in the production of these three commodities.

This leadership is also conducive to active foreign trade. For example, 99.8% of Belarus' potassium salt exports in 2000 were marketed outside the CIS.

Differences in per capita GDP and other economic indicators are not the only factors that distinguish Belarus from other European states. Belarus has significant advantages in terms of education. Belarus' education index is higher than in Switzerland, Luxembourg, Cyprus, Greece and Portugal. The literacy level is higher than in Italy and Spain. These are also important indicators by which to compare the quality of living in Belarus and the European Union.

What changes can be expected in the near future? The statistics for 1999 suggest a decline in the mean life expectancy index, accompanied by an increase in the education index and per capita GDP in PPP dollars. This dynamic should also be taken into consideration when drawing parallels between Belarus and the neighbouring European states.

FIGURE 3.3



The basic indicators of human development and social advancement in Belarus are thus comparable to those of the European states. At the start of a new century, Belarus is facing a number of new challenges. Insufficient economic development is increasingly becoming an obstacle to dynamic foreign trade. Therefore, further reforms should focus on restructuring and modernising the Belarusian economy, thus creating a potential for growth. The opportunities presented by Belarus' considerable educational and human capital should also not be ignored, as these are exactly the resources that may play a decisive role in fostering Belarus' integration into the global and European community of nations.

Breaking away from the past stereotypes

Belarus pursued a Socialist agenda for three quarters of the 20th century. This period has had both a positive and a negative impact on the country. The positive effect of the Socialist period consists mainly in humanitarian advancement and reducing excessive individualism and social inequity. However, the totalitarian type of Socialism produced substantial social imbalances. Excessive egalitarianism created barriers that prevented people from playing a greater role within society. Similar to society, these adverse developments affected the economy, which was

the first to be hit by a system that isolated the individual from ownership and the results of his labour. There was a widening gap between the democratic values, human rights and real life. While still existing on paper, human rights were in fact transformed into the right of the state to control every aspect of human life. This tendency cannot be overcome within a limited number of years, as suggested by the recent experience of transformation in Belarus.

Gradually, a large portion of the Belarusian society came to distrust their political leaders, producing a significant amount of uncertainty over the directions of further political, social and economic advancement, as well as the values and objectives of such development. Other countries have had a similar dilemma during periods of major socio-economic transformations. Several opinion polls conducted by the Independent Institute of Social, Economic and Political Studies (IISEPS), suggest that banks and political parties are the two least trusted institutions. By contrast, the two most trusted social institutions are the Church and educational establishments. Standing at the threshold of major social and economic changes, in a situation when many bank clients have lost their savings and past ideas have been discredited by the politicians, society is also disillusioned with the results of reforms. The main difficulty is to restore public confidence in the key institutions of the civil society. Thus, in order to integrate into the world community, Belarus has to adopt the values of a democratic society and a market economy.

There are also some other questions to be dealt with. The past decade has seen an ongoing debate about the past and future and about the place of Belarus between the East and West. The subject of this debate is not limited to the virtues of Western-type reforms, although numbers are indeed an issue. The present monthly salary in Belarus averages around \$50. Is it even conceivable, then, that it will ever reach at least \$1000? And how many years will it take to achieve this target? Will the social and economic indicators ever approach the European level or will they remain as they were a decade ago?

The economic and social indicators are not the only factor. It is important to know how the majority of Belarusians identify themselves. The findings of a nation-wide opinion poll, conducted in March 2000 by the Novak Agency offer a good insight into this problem. The poll was commissioned by the research team "A Strategy for Belarus" (fig. 3-3).

These findings suggest at least one preliminary conclusion - that the Belarusian society is searching for an identity, the meaning of its existence. This process is marked by a significant degree of alienation from Europe and persisting controversies of a Soviet-type mentality, affected by the transformation and transition to the new priorities of the 21st century.

The degree of self-identification is the highest among the residents of Brest Oblast, the westernmost region of Belarus bordering on Poland. This is the area where the market transition is the most advanced, and the proportion of privatised property is the highest. Extensive cross-border trade and contacts have created a unique social and psychological environment.

The residents of Vitebsk Oblast, by contrast, are the least likely to identify themselves as Belarusians. Ironically, this is also true for Grodno Oblast. 54.3% of the residents of Vitebsk Oblast consider themselves to be a part of the threefold Slavic nation. The residents of Mogilev Oblast seem to have the greatest difficulty in identifying themselves, as 13.9% of the poll participants in this region were unable to state their identity. The findings for Gomel Oblast were the closest to the national average, portraying this region as highly balanced in terms of national self-identification.

It takes more than an understanding of the national values, or an ideal of the future nation and state, to overcome the past stereotypes. The Belarusian society has yet to decide upon, and formulate such an ideal. It is therefore extremely important to examine the attitude of Belarusians to other ethnic groups and civilisations in general. Perhaps this analysis may shed light on how Belarusians perceive themselves in relation to others. It may also define the country's place within the East-or-West dichotomy and the degree of tolerance and friendliness shared by Belarusians towards the neighbouring countries, peoples and religions. As suggested by opinion polls, the views shared by the Belarusian people on this matter are as follows (fig. 3.4).

It is quite obvious that most Belarusians can be defined as good neighbours to all countries - Catholic, Protestant or Evangelical. It is also true that not all of Belarus' regions share Christian love and tolerance towards the Western civilisation. There are considerable differences in the way the Western values, and the values of Europe's advanced democracies, are perceived in different parts of Belarus. The residents of Gomel Oblast show the least confidence in the peaceful intentions of the Western civilisation. As many as 37.2% of the poll respondents in this part of the country see the West as being hostile towards us, and the Orthodox nations in general. This finding is very unexpected, as it was the residents of Gomel Oblast who have received the largest amount of humanitarian assistance from the West since the Chernobyl accident, and who have sent the largest number of their children for recuperation in European countries. Does this view reveal the ungratefulness of the Belarusians or their true mentality? The answers to this question may vary in subject and meaning.

Paradoxically, Grodno Oblast was found to be the second least loyal region towards the West. Located in the immediate proximity to the Polish border, right near NATO's borders, the residents of Grodno Oblast are highly critical of their closest and more distant neighbours. What are the possible reasons for such attitudes? Poland's accession to NATO, new lines of division in Europe, and numerous other developments, have certainly contributed to the feeling of estrangement from Europe, shared by a significant proportion of Belarusians.

The political developments in Europe are giving rise to new negative stereotypes, which many experts and institutions of society consider to be dangerous. For example, the increasing gap in the standard of living between Europe and Belarus gives rise to the opinion that it can never be bridged. The findings and estimates of some academic institutions (e.g. the International Institute of Ma-

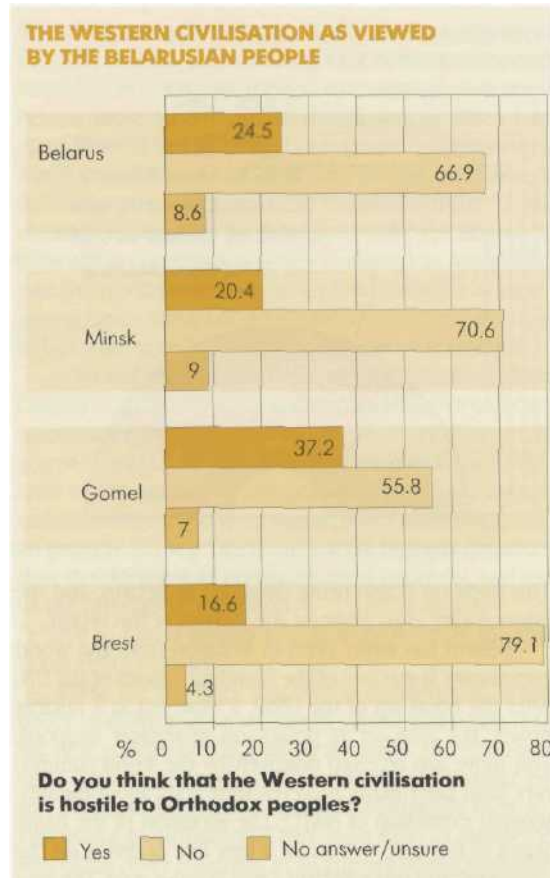


FIGURE 3.4

nagement in Lauzanne) suggest, for example, that the standard of living in Australia is nine times above the 'global average'. In Austria it is 8.9 times higher than the global average, in Switzerland 8.7 times, in Canada 8.36 times, in Norway 8.33 times, in Germany 8.2 times, in France 8 times, and in the United States 7.9 times.

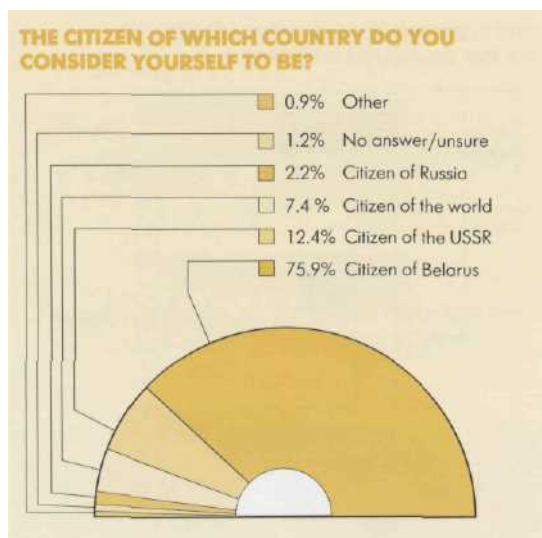
In Belarus, it is only 1.1 times the global average. Can this really be considered an achievement? A standard of living which is eight times below the leading democracies of Europe can hardly qualify as a success of the many decades of Socialist development. But this is extremely difficult to recognise, and it is far easier to continue creating of myths about the advantages of the past system.

The rise of the economy and social advancement will become a reality when the key social groups and opinion leaders form a consolidated vision of the future and implement a common strategy for Belarus. Past stereotypes can be overcome by reducing dependence on subsidies, strengthening private property and liability and building a civil society. Only then can the authoritarian and manipulative values of the past gradually be replaced by the ideas of democracy, free choice and civil responsibility for the country's future. A solidarity that will form on the basis of those values may become the national idea of choice, and, ultimately, bring the society together.

Becoming a part of the global community

Any debate on the process of transformation raises questions about the uniqueness of every individual country and its own path towards inclusion in the global civilisation, economy, communications, culture and arts.

FIGURE 3.5



This question is also being discussed in Belarus, and the answers vary, even amongst the authors of this report.

Belarus has never been in isolation from the world community. It was one of the founding nations of the UN. After the break-up of the USSR, it emerged as a nuclear power, but gave up its possession of nuclear weapons. This move was received positively by the world community. Most Belarusians, however, were wary about the subsequent expansion of NATO. The accession of the Baltic States to this bloc will create a new line of divide on the continent, and make Belarus a real frontier state. The new division of Europe may thus have a highly negative impact. As a result of this process of estrangement, Belarus has been isolated from the sources of investments and modern technologies in the United States and Western Europe, and this isolation has robbed its economy of a future.

The 1990s gave rise to many illusions about a rapid inclusion of the post-Socialist states in the world community. However, various countries have been moving away from their totalitarian past at different speeds and with varying degrees of success. The difficulties of this process can be seen from the way in which the Belarusian people perceive themselves and the world around them. These perceptions can be quite telling (fig. 3.5).

Three quarters of the people residing in Belarus have identified themselves as its citizens. This is a positive development, as only fifteen to twenty years ago, we were conditioned, through internationalist indoctrination, to consider ourselves a part of a "new community of nations" - the Soviet people. It is equally symptomatic that the progress of globalisation is decreasing the importance of our differences from everybody else. Instead, the focus is increasingly on what unites us with the rest of the world.

The choices made by the people and society are affected by those developments. They are being made against the background of an ongoing integration in the global communication and information flows. The world is pre-occupied with the same issues - from terrorism in the East to the partition of Microsoft in the West. It can therefore be stated without a shade of irony that Belarus is

indeed following the historical path of integration into the world.

One small example of this movement is the percentage of the poll respondents who have identified themselves as citizens of the world. The fact that 1% of Belarusians - 740,000 out of 10,000,000 share this perception of themselves is not just a play of emotions or a sign of high expectations shared by a small proportion of Belarusians. It is, rather, an important sign of the future. The country may not be well computerised, and the average monthly salary may barely be enough to purchase a visa to a neighbouring state, but there are still 740,000 people who have surmounted these barriers of the present.

Interestingly enough, the largest number of cosmopolitans resides in Minsk, where one in every ten residents consider themselves to be citizens of the world. In Mogilev Oblast, by contrast, such views are shared by only 4% of the population. It is indeed possible to have two or even three different visions for Belarus. And the progress towards the future will go at different speeds for different regions, as well as different social and professional groups.

If the Belarusian, the future has many aspects. It is therefore important to understand the specifics of integration into the world community, which will become apparent as early as in the next couple of years. We already covered an important part of the way in the 1990s, when the Gorbachev perestroika plan exposed the country to the outside world and opened up the world to us. But there is still a long way to go.

What future will the coming decades bring? The integration of Belarus into the regional and global economy is a case in point. As stated earlier, Belarus' inclusion into the world will proceed through its integration into the European Community. It is exactly this process that shapes the external influences on the country's development.

The collapse of the iron curtain as a result of Gorbachev's perestroika policy has put Belarus in a treacherous situation of choice, which would have been abstract under different circumstances, but is of great practical importance under the present conditions. We have been made to choose between Russia and the European Union, and, quite sadly, Ukraine is also a part of this baleful dilemma. We have found ourselves in a trap, in which the values of the past and future are becoming a matter of political bargaining and geopolitical maneuvering.

Let us leave it to politicians to find a compromise solution that would enable a holistic and sovereign development of the ex-USSR. Any such compromise would leave Belarus a part of Europe and a country on the line of divide between the East and West, or rather, the traditional perceptions of what is a part of a common whole.

Belarus' future as a member of the world community is attributed to economic cooperation and economic links with the outside world. It is therefore important to identify - as soon as possible - the interim niches which Belarus could occupy in a rapidly globalising world economy. Should we launch new enterprises ourselves or wait for foreign investors to come and build new production facilities and hire Belarusian manual workers and engineers? This is also a highly practical issue.

The movement towards integration is linked to changes in the structure of the economy, various sectors of industry and agriculture, as well as the nature of investment flows and breakdown of budget revenues and expenditures. Let us analyse the potential for transformations in the macroeconomic structure, which has always been a subject of the global human development reports (e.g. the Human Development Report for 1999, p.p. 184-187).

For example, the agricultural sector in Belarus produces 14% of the GDP - more than it does in Russia (8%) or Ukraine (12%). However, let us compare those figures with the industrialised European states. In Germany, agriculture accounts for only 1% of GDP, in the United Kingdom 2%, and in Italy and Spain 3%. What to do with the 10-12% of excess rural population in Belarus is certainly not an idle question, as it affects the lives of at least one million people.

Industry, on the other hand, accounts for 44% of the GDP, and services 42%. This share of industry in the GDP is quite typical of the earlier stages of industrialisation. At the dawn of the 21st century, however, it likens us to countries like Saudi Arabia (45%), the Republic of Korea (43%), Swaziland (42%) and Indonesia (43%). In our efforts to be among states with a more advanced economic structure, we can be guided by the example of countries such as Norway (32%), the United States (27%) and France (26%). Achievement of this goal will depend on the restructuring of the entire economy and successful job creation in information industries, as well as the services sector in general.

Belarus can realise its potential by increasing its present share of services in the GDP, which is comparable to countries such as Indonesia (41%), Guinea (42%), Niger (44%) or Swaziland (40%). By doing so, it can create a qualitatively new structure of the economy. In order to integrate into the world community, Belarus will have to modernise its industries and restructure its economy, bringing the share of services in the GDP to 64%, typical of countries with a medium level of development. It will certainly be more difficult to reach the levels of Belgium, with the share of services in the GDP equalling 78%, or Hong-Kong, with 84%. The proportion of services in the GDP, however, could conceivably be increased from 42% to 52%, by reducing the share of agriculture to 10%. Small business development is known to have a positive impact on building an advanced services sector. New jobs can effectively be created in line with this objective. This approach can also contribute significantly to the adoption of new information technologies and to making the economy more responsive to human needs.

Belarus' entry into the world community should certainly be gradual. Its speed will depend on how successful the economic reforms will be. The faster the pace of reforms, the better the chances of competing and participating in the global economy.

The open-type economy that Belarus already has increases Belarus' chances of globalising successfully. Belarus is an export-oriented country. Relative to GDP, exports constitute a high proportion - as high as 60%. This figure puts Belarus significantly ahead of many other European countries, such as Sweden (40%), Iceland (36%), the United Kingdom (30%), France (24%) and Germany (24%).

Several other countries have a higher share of exports in the GDP, notably, Luxembourg (91%), Belgium (68%) and Ireland (76%). However, the real-term amounts that stand behind those relative figures should also be taken into consideration. In 1997, Belgium exported 14 times more, and Portugal three times more than Belarus, even though these countries are comparable to Belarus in size. It will certainly not be easy for Belarus to make the best of its potential in conditions of severe competition. Integration into the world community is not limited simply to establishing closer industrial, economic and financial ties. It is in fact a far more interesting and challenging process.

It should be emphasised that the diversification of the country's foreign trade depends on its ability to embrace universal values and the extent to which its citizens can accept them as their own. It is therefore important for Belarus to expand its participation in international organisations and multilateral economic, social and humanitarian projects. These projects can involve highway construction, development of communication networks, and use of the Internet in education. It is equally important for Belarus to play a greater role in implementing international cultural projects.

These are the steps that would constitute an active policy to develop Belarus' human capital and adjust it to the new realities of a globalised economy. As a small and open country, Belarus has no need to repeat the same errors that have been made by other countries in their advancement to civilisation. There is no need to follow the lead of the other countries, in an attempt to catch up with them along their own development path. Instead, Belarus can benefit from the opportunities opened by globalisation. This could be achieved through closer cooperation - bilateral, as well as multilateral - with the leaders of the world community, as it has the potential to accelerate the development of Belarus and to help it adjust to the new realities and challenges of living in the 21st century.

Belarus and Russia in the new century

During the past two decades, Belarus has been deeply integrated in the Russian economy and would like to keep and strengthen its ties with its Eastern neighbour. It is interested in preferential access to Russian fuel, energy and mineral resources and the Russian corporate and consumer markets. In turn, Belarus is a strategically important territory for Russia, which is interested in securing reliable links with Western Europe by road, rail, air, and through the network of gas and oil pipelines. Up to 35% of Russian gas exports and 25% of its oil exports travel across the Belarusian territory.

Russians and Belarusians share common ethnic, cultural and linguistic roots. They have a common history, and many families in both countries have relatives living on each side of the border. Nearly three million people who were born in Belarus are living in the Russian Federation. Of them, 1.2 million are ethnic Belarusians. From 1990 to 1999, 332,200 residents of Russia settled in Belarus, compared to 250,700 who went from Belarus into Russia.

At no time in the 20th century did the now sovereign nations of Belarus and Russia have any conflict, or even ethnic or religious tensions between each other, and their relations have always been respectful and neighbourly.

Most Belarusians favour closer economic links with Russia, as suggested by the referendum in May 1995, when voters were asked to state whether they supported the steps towards economic integration with Russia undertaken by the president of Belarus. 82.4% of the Belarusians who turned up to vote replied positively. A union state with Russia was supported by 58.7% of participants in the opinion poll conducted by the Novak agency in March 2000. Another 37.7% were in favour of neighbourly relations between the two independent states.

In Russia, opinion polls suggest clear popular support for integration with Belarus. The Union State Agreement has been supported by over 80% of the Russian public. This is one out of the few policy issues on which the Russian society seems to have a very strong consensus.

A new chapter in the Belarusian-Russian relations and mutual integration was opened in 1993 and 1994, when the issue of monetary unification was brought to the agenda. An agreement signed in April 1996 proclaimed a Community of Russia and Belarus. The Community was meant to play a key role in establishing a common information environment and synchronising the pace of reforms. The parties to the agreement also undertook to adopt a common body of law. Although almost all of these plans have remained on paper, a new agreement was signed in April 1997, calling for a Union of Belarus and Russia. The agreement confirmed and expanded on many parts of the previous agreement and set a course of action towards real integration in the economy and other areas.

The main purpose of the Union is to increase popular living standards and create opportunities for people to realise their potential. The citizens of Russia and Belarus are given equal rights with regard to employment, salaries, education, health care, exchange of housing and ownership, possession and disposal of property. The parties have undertaken to adopt a common approach to calculating the minimum salary and pensions, and provision of social benefits.

However, the growth of the Union has not been a simple process. Progress was impeded by differences in the pace of economic reforms, structuring of a civil society, and lack of funds. But however serious, these obstacles could not stall the movement towards a union.

During the first years that followed the collapse of the USSR, the economies of both countries were developing independently of each other and followed completely different routes. Differences emerged in the speed of privatisation, types of ownership and enterprise management styles. Russia is moving along the path of liberal reforms, while Belarus is rebuilding its economy under tight government control. Therefore, the pace of integration is slow, and the process itself is often controversial. Many promises that have been made remain unfulfilled, and most bilateral agreements concluded by the parties are not being implemented. As a result, the economic ties of both states have been compromised, which ultimately has a negative impact on the socio-economic situation in Belarus.

The crisis that erupted in Russia in August 1998 inevitably affected the Belarusian economy, which is so dependent on Russia. The cost of Russian fuel, energy supplies and mineral resources increased, while the exports of Belarusian machinery and equipment to Russia shrank, mainly because the Russian customers were faced with serious cash problems. In 1999, the turnover of bilateral trade dropped by 26% relative to 1997. Exports declined by 32.3% and imports to 19.5%. In 1997, Belarus had a positive trade balance with Russia (\$1,069 million). In 1999, Belarus had a trade deficit of \$524.9 million in its trade with its Eastern neighbour. In 1999, exports to Russia fell by 29.8% relative to the previous year. In terms of physical volume, exports declined by 7.7%, and average export prices by 23.9%.

In this situation, Belarusian companies have aimed at diversifying their trade and increasing exports to non-CIS countries. Thus, trade and economic ties between Belarus and Russia have yet to realise their capacity to become a potent factor of integration. However, despite a certain reduction in the amount of bilateral trade, Russia and Belarus have made significant progress in creating a common economic environment. Integration with the Russian regions has been the most successful. Belarus maintains regular trade links with 79 out of 89 provinces of the Russian Federation. More than 100 bilateral agreements on trade, economic and cultural partnership were signed from 1995 to 1999, and more than 40 twinning agreements have been concluded to date with various Russian cities.

During the last five years of the 20th century Belarus and Russia have done a lot to promote bilateral integration, despite numerous difficulties and barriers. The results of integration could have been more tangible, if the relevant global experience had been followed. Such experience suggests that integration falls into several stages (that follow each other in succession - a free trade zone, a customs union, a common domestic market, an economic union, a single currency, and, ultimately, a single parliament and a political union). In reality, many stages in the integration of Belarus and Russia do not follow this succession. Although the integration of Belarus and Russia is in fact a re-integration, this process has a different base, and the development of regional alliances, such as the European Union, is therefore a good example to consider.

The schedule for the integration of Belarus and Russia has been outlined by the Agreement on a Union State. The Agreement was ratified by the parliaments of both countries in January 2000 and has come into effect.

Economic integration should increase the capacity of both states to pursue their common long- and short-term objectives and increase popular living standards by benefiting from the division of labour between them. Such a division should contribute to increased specialisation and cooperation between the national economy and ultimately lead to a resumption of economic growth. These goals could be achieved by pursuing coordinated policies towards economic reforms and management of the economy, socio-economic development, foreign trade and social support.

However, the Union Agreement is being implemented with great difficulty, and many arrangements remain on

paper. Too many issues still remain under consideration, despite their urgency for the Union State. Belarusian and Russian companies are not operating in equal economic conditions, and the Russian government has unilaterally restored customs checkpoints on its border with Belarus. The union budget has been approved with a significant delay, creating problems for the funding and implementation of Union State programmes. At the end of the first eight months of 2000, the Union Budget was executed by little more than 20%. The Union State is expected to have a single currency by January 1, 2008, and to introduce the Russian Rouble by January 1, 2005.

Delays in the progress towards a union state are in many ways the result of weaknesses in its basic documents, including the Union Agreement. The question about the practical legal and institutional model of integration has yet to be resolved. The theory of government distinguishes three types of state - unitary, federal or confederate. The fledgling union state does not fit into any of those categories and is somewhere between a federation and a confederation, with an affinity for the latter. How-

ever, a confederation is not a single state by definition. It is rather a temporary alliance of two or more states established for a specific purpose. The agreements between Russia and Belarus, on the other hand, are on creating a union state. The structure of this state is to be defined by its Constitution, which should be enacted as soon as possible.

At present, the parties are implementing the Union Agreement by moving towards a liberal federation. This is not a rapid movement. In their progress towards a union, the parties are taking the utmost care to consider the post-USSR realities and not to act to the detriment of the Russian or Belarusian political establishment. Instead, they are working to increase the geopolitical, economic and defence capacities of both states.

However, this process is taking too long, and this constitutes its main weakness. Delays are giving the opponents of the union the time to consolidate and act against it. There is also the danger that the idea of a union state might lose its appeal not only to the governments and political elites, but also to the citizens of both countries.

Stability and reform - a vision for the future

The systemic reform in Belarus has features that are typical of most other transitional economies, notably:

" Production declined over an extended period of time (from 1992 to 1995), but began to recover in 1996;

- High rate of inflation, which continues to affect the economy;
- High budget deficit, sometimes reaching 7% of the GDP (including low-interest loans to large industries);
- Decline in investments (by more than one-half over the period of reform);
- Continued weakening of the Belarusian Rouble;
- Falling living standards - 50% of Belarusians are now living below the poverty line;
- High hidden unemployment, estimated at 10% to 15% of the work force;
- Foreign trade deficit, reaching 13% of the GDP in 1994;
- Falling competitiveness of Belarusian products due to rising cost of imported materials.

Similar to other countries in transition, reforms in Belarus are aiming to increase popular living standards by replacing the old administrative command system with a decentralised, self-regulating system powered by market forces. In Belarus, this transition has been guided by a moderately radical approach, especially since the election of the first president. Its purpose is to maintain the stability of the socio-economic environment. Belarus has thus opted for a gradual, evolutionary pace of reforms. This is the path that calls for a high degree of state involvement in the building of a new market infrastructure and support for key industries through direct subsidies and taxation privileges.

The progress of the market reforms in Belarus depends greatly on the people's mentality. It is affected by the difficulty of establishing new market institutions over a short period of time. The reforms are also impeded by the virtual absence of private enterprise at the time when they began and the large number of enterprises whose adjustment to the market environment is often slow and difficult. In addition, Belarus has no rich natural resources which could be sold or mortgaged to support the transition. And, lastly the majority of Belarusians, unlike Poles, Hungarians, Czechs and citizens of the Baltic States, were opposed to change and capitalist reforms.

Although the pace of transformation is slow, it follows the same rules as in the rest of the CIS. With the acquisition of sovereignty, Belarus began to work towards overcoming its isolation from the world community and build an open-type market economy. Belarus has the economic institutions of a sovereign state, a government structure and a monetary, credit and banking system. Slowly but surely, Belarus is moving towards a diversified economy and weakening the monopoly of the state over the ownership of national assets.

One unique feature of reforms in Belarus is that it still has the largest government sector of all transitional countries of the CIS, Eastern Europe and the Baltic States. In 1998, the private sector accounted for 50% of the GDP in Bulgaria, 75% in the Czech Republic, 50% in Hungary, 65% in Poland, 70% in Estonia, 55% in Ukraine, and only 20% in Belarus.

Belarus' lag in this area is not entirely bad. By delaying privatisation, Belarus has avoided the coming of a capitalism that is driven by the power of the former nomenclatura, monopolies and criminal communities, similar to that which exists in Russia. On the other hand, self-guided development of an oligarchic market is already under way in Russia, while Belarus has been left with a powerless corps of enterprise directors. Slow privatisation is inhibiting the growth of pressure groups that would support the market reforms.

At the present stage, privatisation is as necessary as ever, as it has the power to unleash private initiative. The new people that would take charge of the privatised industries should be capable of modernising them and increasing the competitiveness of their products. The private sector should develop in parallel with this process, so it can observe the surplus work force from the government sector.

Slow reforms have had both a negative and a positive impact on Belarus. By avoiding landslide privatisation, strengthening its administrative and control functions, and maintaining a high level of domestic demand through monetary expansion, the state has succeeded in supporting most enterprises and achieved a growth, albeit fading, of GDP and industrial output. In addition, official unemployment has been low (at 2% of the work force), which has helped preserve social stability and prevent large-scale income disparities.

The economic recovery was achieved mainly by restoring and strengthening the capacities that were undermined at the start of the Perestroika. As a result, the country is facing very much the same choice as it did in the mid-1980s. It has to decide on the direction in which it will move, because the present system of governance, which relies on limited market self-regulation, has reached the limits of its capacity. Although there are no serious shortages of goods and services as under Soviet rule, the economy is affected by a number of imbalances resulting from the policies and priorities that have been pursued to date.

Finance has been the worst affected. Some characteristic features of financial instability are high inflation, multiple exchange rates, rapid devaluation of the rouble, cash flow problems and worsening financial problems of the state and enterprises. Devaluation of the local currency and inflation are largely the result of the currency and interest rates policies, which called for large-scale money emission to support agriculture and housing construction. Although some of this money had in fact produced economic growth, most of it also contributed to

high inflation and rapid devaluation of the rouble against other foreign currencies.

As such, inflation and devaluation are acceptable in any economy that is undergoing a process of transformation. However, the scale of those phenomena in Belarus is too high to enable effective macro- and micro- management and affects the demand and savings dynamic of both companies and individual households. Credit emission is a boost to both production and inflation. When the market transition is stalled, it creates a supply of money which can support economic growth only as long as it continues to increase. Therefore, a reduction in the amount of money injected into the economy precipitates production decline- which would have happened anyway given the continuous escalation of inflation and devaluation.

Credit emission can contribute to restructuring and creation or expansion of growth points, only if the money supply is channelled into the most effective industries, preferably those with a high export capacity. The additional supply of money would thus be covered by extra goods and services, keeping inflation down. In Belarus, however, credit emission is more a social and political tool, rather than an economic one. Low-interest loans are obtained by a large number of loss-making agricultural enterprises, incapable of supporting themselves and paying those loans back. But such lending helps reduce social tensions. As the restructuring of industrial enterprises has virtually been put on hold, and the number of loss-making or low-profit enterprises remains extremely high, a cash-flow crisis in the economy has been inevitable, and may lead to production stoppages in many companies. The main reason for the cash flow crisis is the large number of inefficient and insolvent industries, not the under-supply of money.

Research shows that corporate debt multiplies within the production chain, generating an additional 2.2 roubles of debt per every rouble owed by an individual enterprise. This is yet another indication in favour of taking radical steps to address the issue of loss-making companies, including bankruptcy and debt restructuring.

Companies may be operating at a loss not only because they are using outdated technologies and their products are not in demand, but also because of anti-market pricing. Although meeting a social need, cross-subsidies and limitations on price growth are making prices a poor guidance for the economy. Among other things, such policies do not encourage investments in the most efficient industries, whose products are in high demand. By attempting to address complex social issues by simple means and by maintaining artificially low prices of staple goods, the state is undermining the economic base of the producers of those goods. This ultimately leads to stagnation and recreates the same social problems that the state was originally trying to solve.

The climate for investment remains poor, due to inadequate market institutions (particularly in ownership and finance), widespread negative perception of private enterprise, high rate of inflation and devaluation, and numerous other factors. Although investments have increased somewhat in recent years, this process is still lacking in efficiency.

The share of capital investment in production is falling, the amount of direct foreign investments - which bring progressive technologies into the country - is low, and the value of incomplete construction projects is rising. Creating a favourable investments climate should thus become a key priority of economic reform, which cannot be addressed without resolving the economic, social, and political issues related to it.

BOX 4.1

Where do our opportunities lie?

We have certainly pursued our own path of development, and borne with all the dire consequences of this choice. We have seen our living standards decline, and local producers brought to the verge of bankruptcy. But we can also benefit from some positive outcomes. What are they? First, we have had no shock therapy, which is a great benefit. Second, the period of vast shortages, during which money could be made out of thin air, has ended. It is no longer possible to purchase a tractor, resell it three times and pocket the difference. When this was possible, up to 80% of the working population went into business - legal or illegal. Today, there is no deficit, and in order to stay in business, one has to come up with a competitive product and meet the market needs - make clothing, or grow medicinal herbs, for example. During the period of deficit, the Belarusian leadership was concerned about high prices. In an attempt to escape the deficit - like a cat chasing its own tail - we were raising prices. Today, nearly all prices have reached the limit. Producers cannot continue to increase them indefinitely, when cheaper products are coming from elsewhere - from Russia or the West. An overpriced product will simply not be bought.

Reforms are scary in an environment of deficit. But in the absence of deficit, they are an excellent boost to enterprise development.

In addition, we have had no spontaneous, deregulated privatisation, and consequently, the gap between the rich and the poor is not extremely wide. Although there is no equality either, the great majority of the population are in roughly equal conditions. In addition, the state apparatus is not corrupt. The level of corruption in Belarus is not even comparable to that in Russia.

Tatyana Bykova,

President of the Max Kunyavsky Union of Entrepreneurs and Employers

*"This may seem improbable, but we do have another chance of building a civilised economy",
"Komsomolskaya Pravda v Belarusi" Newspaper. Issue 83 (22306), May 5-12, 2000, p. 19*

The country's long-term future will depend on the correct choice of priorities that would be relevant to the local conditions and contribute to the nation's socio-economic advancement.

Food, housing and export have been the main priorities during the last five-year period (1996-2000). It appears quite likely that the same priorities, albeit slightly modified, will remain in the next five-year period. Export is a legitimate objective for a country poor in natural resources. The relevance of the other priorities - housing and food - is not so obvious.

Housing construction is certainly important for a country where hundreds of thousands of households qualify as needing new housing and have been put on waiting lists. However, a direct solution to this problem is hardly feasible or efficient in the difficult period of transition. Housing construction is highly dependent on import. The total cost of imported supplies needed to support the housing construction programme for one year is estimated at more than \$1 billion.

Thus, by accelerating housing construction the country is only increasing the demand for export, which may lead to serious problems, given the already high foreign trade deficit and shortage of foreign currency. The growth of housing construction also absorbs significant resources that could otherwise have been invested in manufacturing industries. Low investments in those industries have already undermined their competitiveness and increased depreciation of its assets.

Guaranteed food supply is important for any society or state. However, it would hardly be correct to aim to produce the entire range of staple foods within the country, especially as a large proportion of its territory is loca-

ted in a high-risk agriculture zone. Such an approach would hardly be resource-efficient, and therefore would not strengthen the nation's economic security, but decrease it. In addition, the efforts to reach and maintain food self-sufficiency rely not on cost-effective and high-productivity agriculture, but on a simple expansion of production. As a result, the reform of the agricultural sector is almost stalled, and low-interest loans are extended to all farms across the board, including the most inefficient ones that will never repay them. As a result, the money produces no visible return, and the supply of food is declining year after year, partially due to bad weather.

Based on this assessment of the reform process and economic environment - however incomplete it may be - one may conclude that the stable and ongoing development of Belarus will depend on its ability to address the following key issues:

- Inefficient economic model and slow pace of institutional reforms;
- Lack of reform in many enterprises, poor support for private enterprise, limited progress in enterprise restructuring;
- Inconsistent monetary and credit policies, producing an environment that does not promote economic advancement;
- High rate of inflation, which is a disincentive for the manufacturing industry and investment activity;
- Multiple exchange rates, which create difficulties for enterprises, foreign investors and exporters;
- An unbalanced price system, which creates financial problems for many enterprises;
- A crisis in agriculture, caused by the lack of reform in the agricultural sector and poor weather;

BOX 4.2

A working state - the Belarusian model

A mixed, socially oriented and diversified economy appears to be the most attractive model that is shaping out during the process of transformation. The state has a major role to play in building such a model, and it is doing so by applying the leverage needed to support the growth of the new economic environment and to create and maintain the necessary microeconomic components. The experience of economic reform in the post-Socialist states suggests that reliance on market forces alone, and disregard for the effect that a landslide privatisation and liberalisation may have on people's lives, usually leads to significant disruptions in the economy. Belarus has not followed that path, and has made the right choice. Despite the difficult problems that have compounded within and outside the country, this choice has clear and recognisable benefits. A new government model has been put in place, that combines the best of the local system and the most suitable and rational components of countries with advanced market economies. This is an efficient government model that caters to the needs of companies of all ownership types. It aims to create the incentives and motivation for productive and gainful employment and guarantee a high return on investments, thereby encouraging the inflow of capital into the manufacturing sector. The economic policy of the state should prioritise sustainable growth of production and high performance of the national economy during the period of large-scale socio-economic transformation. The end result of this transformation should be higher living standards, approaching those of the industrial world.

M. V. Nauchitel,

Doctor of Sciences (Economics),
Professor, Department of Economic Theory,
Gomel State University,

B. V. Sorvirov,

Candidate of Sciences (Economics),
Head of the Department of Economic Theory

*Source: "Western Schools of Economic Thinking and Transitional Economies",
Belarus Economic Journal, Volume 4, 1999, pp. 9-10*

- Trade deficit and low reserves of currency and gold;
- High tax burden on enterprises that worsens their financial situation;
 - Low investment and innovation activity, preventing the modernisation of fixed assets;
 - Unstable growth of real personal incomes, increasing income disparities; salary levels are inadequate to provide an incentive to work productively;
 - High demand for energy and material inputs per unit of production, reducing the competitiveness of the national economy.

Further steps along the path of economic transformation should be guided by a number of basic principles and priorities.

Of them, continuity, integrity and direction are some of the most important. Even the best of decisions are doomed to failure unless these principles are followed, rebuilding the entire economic structure and environment and leading to a new system of state governance. If these conditions are not met, the economic environment will develop spontaneously, rejecting the elements that do not fit and creating the missing ones by trial and error. Global experience suggests that no existing Western theory can provide a recipe that could be followed without adjustment to the local conditions. Attempts to follow such theories and recipes have revealed the limitations of economic theory in general in dealing with the problems of a transitional economy. There has also been no confirmation of the hypothesis that market behaviour and market institutions may develop spontaneously during the period of transition.

A socially oriented market economy - the government's declared target - calls for a wider application of institutional approaches as an aspect of economic theory. One reason for the low effectiveness of transformation is that it failed to recognise the important role of the institutional environment. Emphasis on institutional transformations in the process of reform seems more applicable to Belarus than the neo-liberal approach with its focus on liberalisation and stabilisation.

Systemic reforms should follow a specific and clear objective. It should also be borne in mind that:

- Reforms are not an end in itself, but should bring tangible benefits to the people;
- The market reform should serve, among other things, to achieve sustainable economic growth. The reform should pursue a social agenda, which should constitute one of its integral parts;
- There is a need for a public consensus on the question of reforms;
- Achievements in socio-economic development should be the benchmark for assessing the directions of the market reforms and motivation of the key actors;
- The market transition should not be assessed on the basis of short-term benefits, but should be evaluated with respect to its strategic goals and its long-term effects. This requires an understanding of the long-term nature of the transformation process, as well as the need to achieve deep and sustainable results and to avoid making fast, poorly considered choices.

When formulating the nation's development priorities, the following factors should be considered:

- Specific circumstances of Belarus as a small country with an open-type economy;
- National, cultural and spiritual traditions of the Belarusian People;
- Economic and geographic location, climate, natural and mineral resources;
- State of fixed assets in various industries;
- Human resources and skill of the workforce;
- Scientific- and technological capacity.

A thorough analysis of those initial conditions suggests that a small country such as Belarus, which is extremely dependent on foreign trade, should consider export as its main priority. In its export activity, Belarus should build on its competitive advantages and the limited resources that it has. Within this approach, emphasis should be made on:

- research intensive industries, including engineering - building on the depleted but still significant resources that are left;
- chemical and petrochemical industries, by exploiting the reserves of potassium salt and the network of high-capacity oil and gas pipelines that cross the country;
- Wood and timber industries, benefiting from the significant reserves of wood;
- Flax and potato farming, taking advantage of the favourable natural and climatic conditions for such activities;
- Transport and communications, benefiting from the favourable geographic position of Belarus as a transit territory.

By adding priority to these industries, and industries related to them, Belarus can form an economic base for improving popular living standards, public health and large-scale housing construction. The development of other sectors should be guided by the interests of economic security and spontaneous market influences, such as capital flows.

It is also essential to avoid any uncertainty over property rights during the transition period. De-jure property owners should become de-facto owners, whatever the mode of privatisation - cash or non-cash, rapid or slow. This transition is necessary to ensure effective control over property and prevent its demise or endless re-distribution. With the greatest proportion of government property of all transitional states, Belarus should not go for rapid privatisation, but privatise its property by finding a strategic owner for it. In doing so, it should consider the broad variety of ownership types in addition to private property. The surviving structures of the classic institution of private property are rudimentary, as suggested by the tendency to separate ownership from management and to combine various elements of property rights in numerous different ways.

The integration of transitional economies into the global system proceeds under the dominance of globalisation. Even a large and self-sufficient country such as Russia cannot protect itself from such influences, some of which may be very detrimental. Russia's predicament only shows how serious this problem is for Belarus, and how carefully it should choose its approaches to resolving it. The reform of the Belarusian economy in the context of globalisation should embrace domestic and foreign trade

and promote its active integration in the global markets of capital, goods, labour and information. The reform should support Belarus' inclusion into multinational companies and industrial finance companies.

The state should not totally abandon its control over the economy, but its functions should change substantially. The strategic goal of the state is to promote new economic relationships during the period of transition. Its efforts should be directed at supporting private enterprise, restructuring and reforming government industries, developing and enforcing the rules of behaviour in the markets, and numerous other areas. It is important that such rules be enforced not only in the goods markets, but also in the labour, capital and property markets. The experience of reform in post-socialist states confirms that the neo-liberal approach to the involvement, or, rather, non-involvement of the state in the economy is counter-productive. The state should become an active player and a partner in the market system. This approach does not put the state outside or above the market, but makes it a part of the market system, and an equal player in it.

There is now an understanding of the need to change the economic policy. The trends in public opinion, suggested by a series of IISEPS polls, conducted from 1994 to 1999, suggest that Belarusians are prepared for the market reforms like never before. 72.1% of participants in the June 1999 poll indicated that they would build their lives on the principles of a market economy, up from 51% in 1994. In addition, 50.7% of the poll respondents agreed that private property was more efficient than government ownership, versus 45.9% in 1994. This is a favourable background for accelerating privatisation, enterprise development and market transformations.

It is also obvious that monetary policies are a weakness of the overall economic policy, and should be improved as a matter of priority. It is time to break away from the practices of cheap money supply and credit emissions for the needs of the agricultural sector and housing construction. The dominance of subsidies in the economy, however well-intended, does not resolve a single social problem. In fact, it is a detriment to social development in the long run. However, an abrupt end to subsidies would not be helpful, either, and could do irreparable damage to socio-economic development. Therefore, any economic reform should be gradual.

A strategy for Belarus - a social and humanitarian alternative for the next century

Choosing a national development model is a long and difficult process. This statement fully applies to Belarus, which is now identifying its geopolitical and socio-economic priorities. Although this has been an ongoing process, it has traditionally been led by the government, which, figuratively speaking, held a monopoly on visions of the future. It is now possible to discuss, and even condemn, the impressive plans to build communism in 20 years, which were made at the behest of Nikita Khrushchev and the entire Communist Party in the 1960s. But it should also be recognised that those plans would have had a re-

alistic chance of success if society had been able to adapt to the global changes and learn to use its human potential effectively. Incidentally, it was at this stage in history that there came an understanding that education and intellectual development could pave the road to a brighter future. With hindsight, this was the time when it was first understood that governance had to undergo a comprehensive change, putting equity and human development at the top of the agenda.

At the beginning of a new century it also became clear that the nation's future is a multi-dimensional picture. There may be several, or even an infinite number of terms or points of reference from which this future can be viewed. It is therefore difficult to imagine the government, officials or a group of politicians or non-partisan intellectuals holding a monopoly on shaping the country's development strategy. Society's reaction to the views held by all of those groups and parties remains the only variable. It is up to society itself to make judgements and choices with regard to those views and agendas, and it is this reaction that will ultimately constitute the nation's strategic choice,

Socio-economic choices - a strategy for consolidation

There are a variety of theories and concepts addressing human development, which is only natural for a changing world. For us, the choice of a development strategy is the case in point. This is the choice that will affect our jobs, education, social services, education and health care in the next century. It is the opportunity to make choices in those areas that will affect our quality of life at present and in the future. Freedom of information, access to social resources, dialogue and respect for the opinion of the majority and minority are all important factors that enable such choices. It is therefore quite alarming that the number of daily newspapers read by Belarusians declined from 15 to 11 copies per 100 population. This decline looks even more impressive if compared to the 1990 figure (29 copies of daily newspapers per 100 people).

The humanitarian background of Belarusians has been extremely complex and intricate. During the 20th century alone, the nation has suffered four powerful shocks: (1) World War 1; (2) Stalin's rule of terror, leading to the extermination of the Belarusian intellectual elite in the 1930s; (3) World War 2, which took the lives of one-third of the Belarusian population; (4) the Chernobyl disaster, in which 70% of the radioactive fallout was absorbed by Belarus.

By putting these shocks into a historical context, it becomes certain that no number of indicators would be enough to describe their consequences and impact on the nation's present. But it is dissatisfaction with this present situation - not just with regard to human development, but also with the limitations preventing people from performing at their best - that is giving rise to new development programmes. These are the programmes that are shaping public opinion and enabling the people to see the future and to assess their own chances of success in a new situation, dominated by new priorities.

The experience of transformation in other European states indicates that the transition from a totalitarian so-

ciety and a planned economy is an uneven process, and makes the interests of various population groups extremely polarised. It also has some surprises. In Belarus, for example, a 3% rise in the GDP in 1999 was accompanied by a 2% decline in the real incomes of its households. It is obvious that any transformation in society will have its winners and losers. But the main problem lies in articulating the shared interests of the leading economic and political elites and establishing a common ground between them. In Belarus, this process has certain limitations, as the social elite are not developed and the interests of the leading social groups have yet to be formulated. Under those circumstances, the main focus should be on identifying the general priorities and orientations to guide the future development of the nation and state. In some cases, the government - itself a corporate group of managers - may be less successful in doing so than a team of independent experts in political science, sociology and economics. The project to formulate such a common agenda has been successfully implemented in this country. It is called "A Strategy for Belarus" and creates a new basis for social consensus in the mid- and long-term perspective.

For many citizens of post-socialist countries, the debate about the future is not an optimistic one. Disintegration of the old political and economic fabric does not automatically lead to a new, better structure. Old and new values often interfere with each other, giving rise to fresh problems.

One such problem is a national idea. Is there a platform that could be shared by a professor, carpenter, diplomat, scientist, farmer and politician - an idea that would shape a new country in the 21st century? The answer to this question should not be abstract, or removed from real life. The ability of society to consolidate around one or several visions can create a synergetic effect, and make its life more whole and meaningful.

Belarusian society can not consolidate around some abstract idea. But it could be brought together by a shared feeling of solidarity and responsibility for the future of the current and coming generations, a healthy living environment, comfortable old age, social peace, public and personal security, and spiritual advancement. In order to become a factor of integration, this shared agenda should look to the future - not the past, or the patchy present. Recent events have demonstrated that the past is not a unifying factor for every nation and nationality. Nor is the present - marked by changes in lifestyles, as well as new pressures, challenges and problems - truly conducive to genuine consolidation within society and its key institutions.

Another important question is how identical the interests of the citizens and the state are. The national interest is always a compromise of the views shared by individual groups of the population. The national interest cannot be separated from, or stand above, the interest of the citizens. It is for this reason that the basis of Belarusian statehood is formed by a political community of citizens, in which citizenship does not depend on the individual's ethnic background, ideology, sex, age or other distinctive factors. The nation's development strategy should thus be based on a genuine consolidation of society and its main

political and economic elite. But there is also the question of how we view our ideal future and what development models or approaches we should follow.

Perceptions of an ideal country - a new illusion?

The 1990s have been marked by extremely rapid developments in the country, which have affected the quality and stability of life. Society has become extremely tense and more aggressive than before. Many of its members are convinced - quite mistakenly - that their lives have become worse due to unfavourable external influences, enemy activities, poor crops, floods and bad weather. Social disintegration has been fast, eroding all of the positive social assets gained during the post-war years. One such asset has been a high degree of social solidarity, an endemic achievement of the totalitarian state.

The disintegration of the social fabric has already become dangerous, as evidenced by a large number of indicators. The number of crimes committed by men per 100,000 male population rose from 9 in 1998 to 16 in 1999. Instability and disruptions to the social system have brought about an overall increase in crime. In 1990, there were 156 prisoners per 100,000 population. We are entering the new century with 468 prisoners per 100,000 Belarusians. A threefold increase in the number of criminals may be the result of stricter laws or of our tendency to break the law more often. The latter is more likely than the former. Another sign of the weakening social fabric is the increase in per capita alcohol consumption (to 9.9 litres per year), as well as the spread of HIV/AIDS and drug abuse.

In this situation, it is quite natural for people and society to look for an ideal country that represents their perception of a better future. They are looking for this ideal among the existing countries of the world. And although the results of this search are frequently not based on first-hand personal experience, but rather on media reports or opinions of friends and acquaintances (the opportunities to travel are still limited for most Belarusians), the views of the Belarusian people on this subject are certainly of interest' (table 4.1).

Germany and the United States are certainly the leaders among countries viewed by Belarusian people as an ideal model of a better future for themselves. Living as in Bremen or Cologne is the desired image of society to which most residents of Belarus aspire. The United States is also listed among countries with high achievements in social and economic development.

Apparently, the views of the Belarusian people are different from those of the UN experts who compile a global rating of countries based on their Human Development Index. According to the UN, the top places in this rating are taken by Canada, Norway, the United States, Australia and Iceland. Germany comes in only 14th. But Belarusians seem to have a different opinion on this subject.

It is remarkable that Russia, Belarus' partner in integration, was ranked 62nd, and Belarus 57th, while only 1% of Belarusians would like to their lives to resemble Russia.

¹IISEPS opinion poll, April 2000 (1495 participants, margin of error did not exceed 0.03%).

TABLE 4.1

«Would you like to live as in..?», %			
Country	June 1999	November 1999	April 2000
Germany	36.4	39.23	36.8
USA	15.8	20.8	17.8
Lithuania	1.9	2.2	1.3
Latvia	1.3	1.2	1.2
Poland	6.2	6.4	6.4
Russia	0.6	0.7	1.2
Switzerland	2.5	1.6	1.9
China	2.5	3.0	0.8
Belarus	—	—	18.7
Sweden	1.1	2.3	5.7

Uncertainty about the future makes more people willing to emigrate. How big is the number of potential emigrants? Nearly 35% of participants in a recent opinion poll conducted early in 2000 indicated a willingness to settle in another country. This proportion had increased by as much as 4% during the previous six months. The willingness to leave the country - shared by more than one-third of Belarusians - is indeed an -alarming sign (Germany, the United States and Poland ranked among the most desired destinations).

This high potential for emigration can hardly be a sign of improvement. It may rather be the result of a gap between our expectations and the results achieved. In an extended transition period, fatigue can become a major factor, as people become tired of the hardships and wish for a comfortable and decent living. But there are 3.5 million Belarusians who do not believe that these objectives can realistically be achieved in their own country.

This leads up to another problem - the rise of myths and illusions about an ideal society. Most people raised in the "purely socialist" system have no idea about life in another cultural, social and economic environment. Their perceptions often are based on an idealistic image, not on reality.

There are many explanations as to why so many people think that their potentials could not be realised in their home countries. One question that comes to mind in this respect is whether the intellectual and cultural life in Belarus has become richer, more vibrant and interesting. So far, the answer has been negative. During the 1990s, the Belarusian society has been unable to consistently improve its education, art and culture because of the economic recession. In addition, more than 50,000 scientists and highly skilled professionals have abandoned their research and academic careers. It is the scientific and intellectual community that has suffered the biggest losses at the initial stages of the market transition. The number of artists, for example, has reduced by 4600 since the end of Soviet rule.

Social and economic stress gives rise to anti-democratic values and ideals. Unmet expectations and limitations on self-realisation contribute to the origin of the more hard-line views of the present and future. The question on whether the reforms in Belarus have passed the point of no return is still open and extremely relevant. In

the future, Belarusian society may still choose to abandon the path of reforms in favour of other models or scenarios. In this respect, the findings of the opinion poll "Belarus and the World", conducted in April 2000 can be of great interest (table 4.2).

It seems important that 57% of Belarusians do support democracy. This preference may be formal and not fully understood, but it is in favour of democratic rule. It should also be borne in mind that this choice - between democracy and non-democracy - will continue to remain in the focus of public attention in the next few years. The preference for democracy is the most outspoken in Brest Oblast, where 66.8% share a loyalty to democratic values. The population of Vitebsk Oblast in the North and North East of Belarus (bordering on Russia and Latvia) is relatively indifferent to democracy, while the residents of Gomel Oblast in the South-East of Belarus (bordering on Russia and Ukraine) seem reluctant to abandon totalitarian values. Thus, the 10 million strong population of Belarus is not homogenous - contrary to the predominant opinion shared by a large number of sociologists and economists.

Despite different perceptions about the future, existing illusions about the neighbouring states, and mundane daily routine, Belarus still has good chances of building a civil society and market economy. A basic agreement has been reached on the strategies of socio-economic reforms which would help propose a sequence of steps towards those strategic objectives and lead to a major breakthrough into the future. Progress towards reforms is seen as a series of actions to change people's living conditions, so they can successfully develop and realise their potential.

Step by step - the road to reform

The Belarusian population does not consist entirely - or even predominantly - of reformers. It has in fact been one of the official positions that Belarus only needed to improve the system that it had in the 1970s and 1980s, and not rebuild it completely. Because of this official view, the notion of reform has been met with strong disapproval. Some still share this attitude, and the fact that this view still exists is normal for society.

Society should be able to see its past, present and future in all of its complexity. A simplified view can result in

TABLE 4.2

Which of the following statements do you support the most?, %							
	Belarus	Minsk	Vitebsk Oblast	Magilev Oblast	Gomel Oblast	Brest Oblast	Gradno Oblast
Democracy is always better than dictatorship	57.2	61.2	49.6	54.7	59.5	66.8	57.9
In some situations dictatorship can be better than democracy	20.4	19.2	17.2	24.4	23.1	13.6	15.2
For people like myself, it makes no difference whether to live in a democracy or under a dictatorship	13.4	11.8	22.8	13.4	12.4	8.9	10.2
No answer/unsure	9.0	7.8	9.9	7.5	5.0	10.6	16.8

a primitive approach to human life, as well as the spiritual and intellectual development of a human being.

However, other transitional economies have demonstrated the need for reforms for countries whose economic human potential is similar to Belarus. Hungary, the Czech Republic and Bulgaria have been following the path of reform more or less consistently. Poland, Slovakia, the Czech Republic, Slovenia and Estonia are already placed among countries with a high human development ranking. Belarus, by contrast, is a country with a medium human development ranking, similar to Lithuania, the Russian Federation and Latvia.

Why is Belarus among countries with a medium human development ranking? One apparent reason is a low average life expectancy at birth - 68.1 years, as opposed to 80 in Japan. In Jamaica, mean life expectancy at birth is 75 years, and in Saudi Arabia 71.7 years¹, but these two countries have a lower human development index than Belarus.

The economy of the future is being built at present. The foundation of this economy is still in question. Which system is better liberalism - which builds on egoism and competition for the consumer - or a social-democracy as a way of keeping subsidies, discounts and other types of support from the government, which does not perform well in pursuing its economic policy?

High GDP per capita and education index call for an economic programme that considers improving popular living standards and creating a favourable living environment as its top priority. These objectives could not be achieved without rebuilding the economy on the principles of efficiency and competition. Therefore, the concept proposed by the nation's socio-economic development plan emphasises the following ends:

- Creating a national consensus on the directions of further development;
- Implementing reforms for the benefit of the people, aiming to improve popular living standards and expand people's political, economic and social choices;
- Laying the ground for an efficient and competitive economy, thus making it more socially oriented and people-friendly;
- Enabling unlimited cultural development, building on the nation's cultural heritage and the general European tradition;

¹ Human Development Report 2000, UNDP.

- Protecting the physical health of the nation and countering environmental threats.

Complex socio-economic issues

Successful resolution of socio-economic problems depends on an adequate strategy, tactic and a sequence of changes. It is important to start reforms in all areas simultaneously, bearing in mind that the time required to implement them will be different in each area and depend greatly on the circumstances. Enterprises and households will be given time to adapt to the new environment during the first several years of reform, and the government will undertake to achieve tangible results in macro-economic stabilisation. The indicators of its success will be as follows:

- Budget deficit is 3% or less;
- Foreign and domestic debt payments not exceeding 8% of the GDP;
- Rate of inflation no higher than 15%-17% per annum;
- Public spending not exceeding 40% of the GDP;
- Foreign exchange rate established on the basis of supply and demand;
- Rate of unemployment no higher than 15%;
- Private sector employment exceeds 60%;
- Private savings amount to 15-20% of the GDP.

Meeting those targets is the mid-term objective of the reform. This will be supplemented by a new social and psychological environment, of equal economic opportunity ("an economy for all"). If followed, this principle will prevent the rise of the oligarchs and inequitable distribution of property and power. Transparency of government is a prerequisite to a competitive market environment and protection against corruption and abuse of economic power.

This economic policy will be implemented gradually, as required by the logic of reform. The process of transition will thus be divided into stages, each bringing Belarus a step closer to the market economy.

Economic adjustment and growth of a favourable business environment (year 1-1.5). Inflation is gradually brought down, and steps are taken to soften the blow of a tighter monetary and credit policy. The government decreases its intervention in the economy and reorganises key institutions of economic power. Liberalisation is

accompanied by the strengthening of private property and making the players in the market economy more responsible for their economic performance.

Stabilisation and laying the ground for an economy of growth (year 2-3). As key macroeconomic targets are achieved, an active policy is pursued to rebuild social services and preparations are under way for constructive solutions to the problems of the agricultural sector. The government takes steps to activate its industrial policy, promote export, streamline the economy and eliminate dependence on subsidies in all areas of economic activity. Through institutional support, a gradual transition of property is ensured into the hands of the most competent and efficient owners. Popular living standards increase. Average monthly salary reaches an equivalent of \$250-\$300.

Completion of institutional reforms, modernisation and globalisation (year 4 and onwards). Main institutional reforms are complete, as are the second phase of the land and agricultural reforms. Initial restructuring and privatisation of small and medium-sized enterprises is finished, and their inclusion in multinational companies achieved. The education system is brought to a new quality level, and active pension reform is in progress. The overall duration of this stage is 15 to 20 years. By the end of this period, the Belarusian economy will have been integrated into the world economy. Other expected results include substantial poverty reduction as a result of greater economic efficiency achieved through reform. Average monthly wage grows to \$800-1000, as prices reach average global and regional levels.

All of these stages have clear objectives. Actions to be undertaken in each of them pursue the triple objective of liberalisation, stabilisation and efficiency. The quality of the reforms is of particular importance, and will be ensured through public dialogue and reliable public control over privatisation and social reforms. The Belarusian society will thus consolidate and focus on implementing clear and specific goals and objectives through transparent policies and mechanisms. In the beginning, emphasis will be made on economic efficiency. Later, when GDP and personal incomes increase, targeted social support will be provided to the needy, and that support will be more substantive than that offered by the present social programmes.

The reform programme "Step by Step" will change the economic and social environment in Belarus. Freedom and democratic values in business could not be upheld without a strong middle class, and a community of wealthy citizens. They will become the key actors in the transformation of the present-day post-socialist economy

of Belarus and converting it into a market-driven one. It is also important for Belarus to identify its niche in the regional and global economy. By doing so, it will successfully complete the first stage of globalisation and benefit from the global intellectual resources and the achievements of modern communications and information technologies. As a result, the Belarusian society will become more unified and more capable of dealing with the new challenges of the 21st century.

An open, democratic dialogue should become an important component of such a transformation and the principle tool of building a national consensus on key long-term actions and solutions. Such a consensus is a key prerequisite to stability and predictability in the development process, and a factor of economic growth.

Business and economic development would be inconceivable in a situation of constant changes in economic law, taxation and employment regulations. Compromise, and a commitment of the key players to honour their obligations, can create real opportunities to solve the nation's socio-economic problems. It should also be borne in mind that the absolute majority of Belarusians - 60 to 65% - are neither firm supporters nor convinced opponents of extreme solutions or choices (between classic capitalism and classic socialism, for example). This majority is the most interested in stability and forward-looking state policies.

Some examples of such policies can already be found. Russian reformers, for example, have proposed to introduce a single taxation rate of 10%, which, if applied, may change the situation substantially. This solution can also work well for Belarus. A single low taxation rate can do a lot to bring companies and individuals out of the shadow sector and raise personal incomes. Although such a taxation policy is definitely not applicable to any of the advanced market economies in Europe, it is a good approach for countries such as Russia and Belarus.

The government could do a lot to ensure the progress of the market reforms by offering guarantees of success and social support for citizens. A pro-reform government could perform effectively only in an environment of gradual democratisation.

It should also be emphasised that economic policies should be pursued in a calm and sensible manner by responsible professionals, not by dilettantes. These are the policies that would raise living standards and economic prosperity for the people, not the greatness of the state or the nation. If this objective is successfully achieved, the economy itself would be capable of accelerating the development of the human capital and become a source of opportunities for people to realise their potentials.

ECONOMY AND SOCIETY AS PORTRAYED BY THE HUMAN DEVELOPMENT INDICATORS

TABLE 1"

Human Development Index				
	1996	1997	1998	1999
Life expectancy at birth (years)	68.6	68.5	68.4	67.9
Adult literacy rate (%)	99.0	99.2	99.4	99.6
Enrollment ratio for all levels (%)	73	74	76	79
Real GDP per capita (US \$)	5166 ^a	5884 ^b	6460 ^b	6894 ^b
Life Expectancy Index	0.727	0.725	0.723	0.715
Educational Attainment Index	0.903	0.908	0.916	0.927
GDP Index	0.658	0.680	0.696	0.706
Human Development Index	0.763	0.771	0.778	0.782

^a Actual
^b Expert assessment
 Note: 1998 per capita income in PPP dollars was estimated at \$6037, using UNDP methodology

TABLE 2

Profile of Human Development										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Life expectancy at birth (years)	71.1	70.7	70.3	69.2	68.9	68.6	68.6	68.5	68.4	67.9
Maternal mortality rate ^a	22	31	21	20	19	14	22	26	28	20
Population per doctor	247	246	242	235	231	230	223	221	225	218
Scientists and technicians (per 1000 people) ^b	140	141	143	145	144	142	144	150	161	168
Enrollment ratio for all levels ^c	74	74	73	72	72	72	73	74	76	79
Enrollment ratio tertiary education										
• Total(%) ^d	26	25	25	28	29	33	36	38	41	39
• Female(%) ^e	27	27	26	29	31	35	37	42	45	44
Daily newspapers (copies per 100 people)	29	24	18	17	19	14	12	14	15	11
Televisions per 100 people ^f	32	34	34	33	32	31	31	31	32	31
GDP per capita (% of previous year)	—	98.7	90.0	92.0	87.4	89.9	103.1	111.8	108.7	105.1
GDP per capita (thousand roubles)	4.2	8.4	88.9	951.9	1720.2	11600.0	17884.1	34679.2	65937.4	288061.3

^a per 100,000 live births
^b Number of employees with higher and upper-secondary education at 31 December
^c As % of the population aged 6–23
^d As % of the population aged 17–18
^e As % of women aged 17–18
^f adjusted to obsolescence and physical wear and tear

" Some statistical data for 1999 presented in this report are preliminary and may be updated, similar to data for 1998 and the previous years.

TABLE 3

Profile of Human Distress										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Unemployment rate (%)	—	0.05	0.5	1.4	2.1	2.7	3.9	2.8	2.3	2.1
Ratio of incomes of highest 20% to lowest 20% of households	—	—	—	2.8	3.7	3.8	3.7	3.7	4.2	4.0
Female wages (as % of male) ^a	—	—	78.4	—	—	79.1	81.0	80.8	84.9	—
Average annual level of inflation	—	183.5	793.5	617.1	683.1	268.4	119.4	140.1	148.6	207.7
Casualties from road accidents (per 100,000 people) ^b	113	113	105	87	87	89	90	86	85	84
Intentional homicides by men (per 100,000 males)	9	8	10	13	12	13	16	17	18	16
Reported rapes (per 100,000 women aged 15–59)	19	17	18	17	17	14	14	15	14	17
Sulfur and nitrogen emissions (kg of NO ₂ and SO ₂ per capita)	65	66	48	40	32	26	24	20	19	17

^a At 31 December
^b Deaths or injuries in traffic accidents

TABLE 4

Weakening Social Fabric										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Prisoners (per 100,000 people)	156	177	231	305	363	391	416	444	496	468
Juveniles (as % of total prisoners)	4.2	3.8	3.6	3.2	3.1	3.2	2.4	2.3	3.0	3.4
Intentional homicides by men (per 100,000 males)	9	8	10	13	12	13	16	17	18	16
Reported rapes (per 10,000 women aged 15–59)	19	17	18	17	17	14	14	15	14	17
Drug crimes (per 100,000 people)	4	5	8	14	14	15	20	28	29	32
Divorces (as % of marriages contracted)	35	40	50	55	58	55	68	68	66	65
Births outside marriage (%)	8.5	9.4	9.8	10.9	12.1	13.5	14.9	16.2	16.9	17.8
Single parent families	13.4	—	—	—	—	—	—	—	—	—
Suicides by men (per 100,000)	34	36	40	49	53	56	65	62	63	61

TABLE 5

Trends in Human Development										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Life expectancy at birth (years)	71.1	70.7	70.3	69.2	68.9	68.6	68.6	68.5	68.4	67.9
Tertiary full-time equivalent gross enrollment ratio ^a	17	17	17	18	20	22	24	24	26	25
GDP per capita (% of the previous year)	—	98.7	90.0	92.0	87.4	89.9	103.1	111.8	108.7	105.1
GDP per capita (thousands of roubles)	4.2	8.4	88.9	951.9	1720.2	11600.0	17884.1	34679.2	65937.4	288061.3
Total education expenditure (as % of GDP)	4.9	5.8	6.6	6.8	7.0	6.8	6.2	6.5	6.5	6.4
Total health expenditure (as % of GDP)	3.5	4.0	5.3	6.6	7.0	5.2	5.4	5.1	5.1	5.2

^a as % of population aged 17–18

TABLE 6

Human Capital Formation										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Secondary enrollment ratio (%) ^a	74	74	73	72	72	72	73	74	76	79
Scientists and technicians (per 10,000 people) ^b	140	141	143	145	144	142	144	150	161	168
R & D scientists and technicians (per 10,000 people)	57	48	30	27	23	21	21	18	17	18
Expenditure on research and development (as % of GDP)	2.1	1.3	0.9	1.0	0.9	1.0	0.9	0.8	0.9	1.1
Upper secondary graduates (as % of population of normal graduate age)	91.3	90.7	89.3	81.3	79.0	79.0	83.2	82.8	86.0	85.0
Tertiary graduates (as % of population of normal graduate age) ^c	20.1	22.0	24.6	27.1	24.2	22.9	23.1	23.5	24.6	25.4
Science graduates (as % of total graduates):										
• Total	46.3	49.3	53.5	52.3	52.9	49.9	51.5	44.9	40.2	36.6
• Female	30.6	33.5	35.0	33.3	37.8	31.8	40.4	28.0	24.7	22.7
• Male	63.6	67.1	72.9	72.7	69.1	72.7	63.1	64.9	58.8	53.6

^a Enrollment in secondary, vocational and upper secondary institutions as a proportion of the total population aged 6 to 23.
^b Persons with upper-secondary and tertiary education employed in the public sector (at 31 December).
^c As % of population at graduation age.

TABLE 7

	Status of Women									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Life expectancy at birth (years)	75.6	75.5	75.4	74.4	74.3	74.3	74.3	74.3	74.4	73.9
Average age at first marriage (years)	22.0	21.9	21.8	21.7	21.7	21.9	21.9	22.1	22.1	22.2
Maternal mortality rate (per 100,000 live births) ^a	22	31	21	20	19	14	22	26	28	20
Secondary net enrollment ratio ^b	99.6	98.8	95.5	95.7	93.3	84.6	95.2	91.2	91.5	97.6
Upper secondary graduates (as % of normal graduate age) ^c	93.9	94.7	92.0	83.1	79.2	79.2	84.2	76.6	86.2	85.9
Tertiary full-time equivalent gross enrollment ratio (%) ^c	16.5	16.5	16.3	17.7	20.3	22.7	22.2	25.1	26.9	26.4
Tertiary natural and applied science enrollment (as % of female tertiary) ^d	13.7	13.2	12.1	12.2	9.1	9.9	11.2	7.8	8.6	8.3
Women in labour force (as % of total labour force) ^e	—	51.8	51.1	51.1	51.8	52.5	51.7	51.7	51.8	52.4
Administrators and managers (% of females at 31 December)	—	—	—	39.3	42.6	43.5	44.6	45.5	45.5	46.0 ^f
Parliament (% of seats occupied by women)	4.0	4.0	4.0	4.0	4.0	4.0	14.0	14.0	13.6	13.4 ^f

^a Per 100,000 live births
^b Of females aged 14–15
^c Of females aged 17–18
^d Of total tertiary and natural applied science enrolment
^e Of total workforce, adjusted to the new methodology of measuring work force size
^f Estimate

TABLE 8

	Female-Male Gaps										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Life expectancy at birth	114	115	116	117	117	118	119	118	119	119	—
Population ^a	113.5	113.3	113.1	112.9	112.8	114.2	114.2	114.2	114.3	112.9	113.0
Secondary enrollment	108	111	108	106	101	102	103	98	98	98	—
University full time equivalent enrollment	94	94	88	94	100	106	88	110	108	110	—
Natural and applied science enrollment	95	94	88	92	95	98	86	51	51	51	—
Labour force ^c	—	107	105	105	107	111	107	107	107	110 ^b	—
Unemployment	—	401	438	197	176	180	176	199	200	179 ^b	—
Wages ^d	—	—	78.4	—	—	79.1	81.0	80.8	84.9	—	—

Note: All figures are expressed in relation to the male average, which is indexed to equal 100. The smaller the figure the bigger the gap, the closer the figure to 100 the smaller the gap, and a figure above 100 indicates that the female average is higher than the male average.

^a Adjusted to the latest population estimates and the 1999 population census
^b Estimate
^c Adjusted to the latest methodology of measuring work force size
^d 31 December

TABLE 9

Health Profile											
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Deaths from common diseases (as % of all causes)	90.1	83.2	80.1	79.9	80.3	80.2	80.3	80.4	81.3	78.6	84.2
Deaths from malignant cancers(%)	16.6	16.0	15.7	16.1	14.6	14.5	14.5	14.2	14.2	14.2	13.9
AIDS/HIV											
• HIV-infected people	12	14	12	21	10	5	8	1021	653	554	457
• AIDS cases	—	—	—	—	8	7	7	6	2	4	5
Alcohol consumption (litres per adult) ^a	5.4	5.7	6.3	6.1	7.9	7.1	6.7	7.3	7.7	8.6	9.9
Adult smokes (% of population)											
• Male	—	—	—	—	—	52.8	54.8	54.7	53.4	54.9	53.7
• Female	—	—	—	—	—	3.0	3.6	4.6	4.8	4.6	4.8
Population per doctor	246	247	246	242	235	231	230	223	221	225	218
Public expenditure on health (as % of total public expenditure)	—	7.4	9.8	10.7	11.0	13.1	14.9	17.3	15.2	13.9	13.2
Total expenditure on health (as % of GDP)	—	3.5	4.0	5.3	6.6	7.0	5.2	5.4	5.1 ^b	5.1 ^b	5.2 ^b

^a Pure alcohol per capita

^b Public expenditure on health and physical education

TABLE 10

Education Profile											
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	
Enrollment ratio for all groups (% age 6–23)	74	74	73	72	72	72	73	74	76	79	
19-year-olds still in full-time education (%)	—	—	—	—	18	19	20	19	20	20	
Tertiary full-time equivalent gross enrollment ratio (%)	17	17	17	18	20	22	24	24	26	25	
Tertiary natural and applied science enrollment (as % of total tertiary) ^a	64	63	60	58	48	47	40	32	34	35	
Total education expenditure (as % of GDP)	4.9	5.8	6.6	6.8	7.0	6.8	6.2	—	—	—	
Public expenditure on education (as % of GDP)	4.4	4.5	5.3	5.9	5.9	5.5	6.1	6.5	6.5	6.4	

^a admissions to applied and natural sciences departments as % of total admissions

TABLE 11

Communication Profile										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Including cable radios (per 100 people)	34	35	35	33	33	32	31	31	30	31
Televisions (per 100 people)	32	34	34	33	32	31	31	31	32	31
Annual cinema attendance (per person)	11	9	5	3	2	1	1	1	1	1
Annual museum attendance (per person)	0.4	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Registered library users (%)	47	46	44	44	43	43	43	43	44	45
Daily newspapers (copies per 100 people)	29	24	18	17	19	14	12	14	15	11
Book titles published (per 100,000 people)	28	24	23	28	32	31	37	52	60	60
Printing and writing paper (per capita)	—	—	—	—	—	—	—	—	—	—
Letters posted (per capita)	29	27	22	16	15	13	13	13	12	12
International telephone calls (minutes per capita)	—	—	—	—	—	—	—	6.1	6.3	6.3
Telephones (per person)	17	18	19	19	20	21	23	24	26	28
Motor vehicles (per 100 people)	5.7	6.2	6.7	7.2	8.2	8.8	9.8	10.7	12.2	13.1

TABLE 12

Employment										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999 estimate
Labour force (as % of total population) ^a	—	49.1	47.7	47.4	46.5	44.0	44.3	44.3	44.4	45.5
Percentage of labour force in:										
• Agriculture ^b	19.5	19.0	20.4	20.1	19.5	19.7	18.0	17.4	16.4	15.9
• Industry	30.9	31.2	30.5	29.6	29.0	27.6	27.5	27.6	27.6	27.6
• Services	37.3	38.3	38.4	40.9	42.8	44.9	46.3	46.9	47.5	47.9
Future labour force employment ratio ^c	1.2	1.2	1.2	1.2	1.4	1.4	1.4	1.6	1.8	1.9
Earnings per employee annual growth	113.8	103.6	87.6	93.5	69.1	95.0	105.1	114.3	118.0	107.7
Earnings disparity: ratio of earnings of half to lower half of labour force	—	—	—	—	—	—	—	—	—	—
Percentage of labour force unionised	—	—	—	—	—	—	—	—	—	—
Weekly hours of work per person in manufacturing	—	—	—	—	—	—	—	—	—	—
Expenditure on labour market programmes	—	—	—	—	0.2	0.3	0.4	—	—	—

^a Work force includes persons employed in companies of all ownership types as well as sole-traders and unemployed. Data adjusted to the latest methodology of calculating work force size

^b Including forestry

^c Ratio of employment-age to retirement-age population

TABLE 13

Unemployment										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Unemployed persons (thousands) ^a	—	2.3	24.0	66.3	101.2	131.0	182.5	126.2	105.9	95.4
Unemployment rate (%)										
• Total	—	0.05	0.5	1.4	2.1	2.7	3.9	2.8	2.3	2.1
• Total including discouraged workers	—	—	—	—	—	—	—	—	—	—
• Female ^b	—	0.07	0.8	1.8	2.6	3.5	5.0	3.6	3.0	2.6 ^c
• Youth (15–19)	—	—	—	—	—	—	—	—	—	—
• Male youth (15–19)	—	—	—	—	—	—	—	—	—	—
Unemployment benefits expenditure (as % of total government expenditure)	—	—	—	0.04	0.2	0.1	0.1	0.2	—	—
Incidence of long-term unemployment (as % of total)										
• More than 6 months	—	—	—	28.3	30.9	26.4	35.4	31.0	26.2	26.1
• More than 12 months	—	—	—	3.8	9.4	15.7	15.4	24.5	18.7	16.4
Ratio of unemployment rate of those not completing secondary school to rate of those with complete secondary education	—	—	—	—	—	—	—	—	—	—
• Males	—	—	—	—	—	—	—	—	—	—
• Females	—	—	—	—	—	—	—	—	—	—

^a At 31 December
^b Data adjusted to the latest methodology of calculating work force size
^c Estimate

TABLE 14

Wealth, Poverty and Social Investment										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP per capita (% of previous year)	—	98.7	90.0	92.0	87.4	89.9	103.1	111.8	108.7	105.1
GDP per capita (thousands of roubles)	4.2	8.4	88.9	951.9	1720.2	11600.0	17884.1	34679.2	65937.4	288061.3
Share of industrial GDP (%)	38.2	40.3	38.5	29.0	27.9	28.3	30.7	31.1	29.7	29.6
Income share										
• Lowest 40% of households	—	—	—	26.4	23.4	23.5	24.1	23.9	22.6	23.0
• Ratio of highest 20% to lowest 20% of households	—	—	—	2.8	3.7	3.8	3.7	3.7	4.2	4.0
Social security benefits expenditure (as % of GDP)	8.2	10.9	13.1	13.7	12.4	14.8	11.3	—	—	—
Total education expenditure (as % of GDP)	4.9	5.8	6.6	6.8	7.0	6.8	6.2	6.5	6.5	6.4
Total health expenditure (as % of GDP)	3.5	4.0	5.3	6.6	7.0	5.2	5.4	5.1	5.1	5.2

TABLE 15

Urbanisation											
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Urban population (% of total)	66.2	67.0	67.6	67.9	68.2	68.6	68.9	69.3	69.8	69.3	69.7
Urban population annual growth rate (%)	1.2	1.0	1.1	0.7	0.3	0.2	0.3	0.5	-2.3	-0.3	—
Population in largest cities (as % of urban population) ^a	62.7	62.7	62.7	62.6	65.3	65.1	65.1	65.2	64.1	66.8	66.8
Population in cities of more than 1 million (as % of urban population)	23.8	23.8	23.7	23.7	23.6	23.6	23.6	23.7	24.0	24.1	24.1
Population in cities of more than 1 million (% of total population)	15.7	15.9	16.0	16.1	16.1	16.2	16.3	16.4	16.8	16.7	16.8
Population exposed to 60+ decibels of road traffic noise (%)	16.2	16.2	16.2	16.2	16.2	16.2	16.2	16.2	16.2	16.2	—

Major cities with highest population density						
City	Minsk	Brest	Vitebsk	Gomel	Grodno	Mogilev
1990: • Population (thousands)	1606	267	354	503	276	360
• Population on per km ²	7283	5643	4803	4511	3458	3500
2000: • Population (thousands)	1685	289	341	477	304	358
• Population on per km ²	6587	3920	4060	4221	3269	3476

Note. At 1 January
^a Cities with a population of 100,000 or more

TABLE 16

Demographic Profile											
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 ^a
Estimated population ^a (thousands)	10211.4	10212.5	10232.9	10297.8	10319.4	10297.2	10264.4	10236.1	10203.8	10045.2	10019.5
Annual population growth rate (%)	0.01	0.2	0.6	0.2	-0.2	-0.3	-0.3	-0.3	-1.6	-0.3	—
Total fertility rate	1.906	1.796	1.750	1.607	1.514	1.386	1.315	1.227	1.266	1.307	—
Fertility rates over time (1992 as % of 1960) ^b	69	65	63	58	55	50	48	44	46	47	—
Contraceptive prevalence rate: ^c											
• Pill	—	—	—	—	—	6.2	7.3	7.4	7.7	7.0	—
• IUD	—	—	—	—	—	27.0	26.5	25.1	26.2	24.1	—
Dependency ratio	—	—	—	—	—	—	—	—	—	—	—
Population aged 60 and over (%)	16.3	16.7	16.9	17.3	17.4	17.5	17.7	18.0	18.3	18.8	19.0
Life expectancy at age 60 (years)											
• Male	15.8	15.5	15.4	14.6	14.6	14.3	14.2	14.0	13.9	13.8	—
• Female	20.2	20.1	20.1	19.4	19.4	19.5	19.3	19.4	19.4	19.1	—

^a Resident population at 1 January
^b Total fertility rate in 1958-1959=2,764
^c Per 100 women aged 15 to 49
^d Estimate based on the 1999 population census.

TABLE 17

Natural Resources Balance Sheet										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Land area (thousand km ²)	207.6	207.6	207.6	207.6	207.6	207.6	207.6	207.6	207.6	207.6
Population density (persons per km ²)	49	49	50	50	50	49	49	49	48	48
Arable and permanent cropland (as % of land area)	30.1	30.1	30.2	30.1	30.7	30.7	30.7	30.4	30.4	30.4
Grasslands (as % of land area)	15.2	15.2	15.1	15.0	14.3	14.3	14.2	14.4	14.4	14.3
Forest and wooded land (as % of arable land area)	35.6	35.7	35.7	39.6	39.7	39.9	40.1	40.1	40.3	40.5
Irrigated land (as % of arable land area)	2.4	2.3	2.2	2.1	2.0	2.0	1.8	1.9	1.9	1.8
Internal renewable water resources per capita (1000 m ³ per year)	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.4
Annual fresh water withdrawals:										
• as % of water resources ^a	8.5	8.5	8.1	7.8	7.2	5.8	5.6	5.5	5.4	5.4
• per capita (m ³)	281	283	266	256	236	204	186	188	181	184

^a Unlike previous reports, the data in this report include mean annual water flows within Belarus, excluding transit

TABLE 18

Environment and Pollution										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Nitrogen and sulfur emissions (kg of SO ₂ and NO ₂ per capita)	65	66	48	40	32	26	24	20	19	17
Pesticide consumption (metric tons per 1000 population)	—	—	—	—	—	—	—	—	—	—
Urban waste (kg per capita)	281	296	287	270	256	253	243	245	252	267
Waste recycling (as % of total waste): ^a										
• paper and cardboard	77.2	77.9	68.9	67.9	76.4	76.2	76.9	77.7	78.7	76.0
• Glass	85.4	83.1	72.3	38.9	77.3	71.6	75.4	62.7	70.9	74.9

The major cities with the highest concentration of sulfur dioxide in 1998 were Mozyr (11 microgrammes per m³), Orsha (8 microgrammes per m³) and Pinsk (7 microgrammes per m³)

^a As % of total resources

TABLE 19

National Income Accounts										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total GDP(billion roubles)	42.9	86.6	917.0	9858.7	17814.5	119813.1	184173.9	356079.3	675159.4	2890320.3
Agricultural production (as % of GDP)	22.9	20.0	22.3	16.7	13.1	15.2	13.5	12.1	11.1	10.7
Industrial production (as % of GDP)	38.2	40.3	38.5	29.0	27.9	28.3	30.7	31.1	29.7	29.6
Services (as % of GDP)	27.9	27.5	26.9	39.5	43.2	40.0	38.5	36.8	38.4	38.8
Consumption										
• private (as % of GDP)	47.3	46.4	51.1	58.0	60.2	60.4	59.5	57.0	59.2	58.4
• government (as % of GDP)	23.7	21.0	15.4	17.8	20.1	19.3	19.9	20.3	20.6	20.1
Gross domestic investment (as % of GDP)	26.8	29.2	32.0	41.0	32.9	25.1	24.5	27.7	27.8	24.0
Gross domestic savings (as % of GDP)	29.0	32.6	36.0	25.8	19.4	20.9	21.0	23.1	20.8	22.7
Tax revenue (as % of GDP)	25.0	21.0	27.0	30.0	31.0	25.0	24.0	—	—	—
Central government expenditure (as % of GDP)	33.0	28.0	34.0	43.0	40.0	33.0	30.0	—	—	—
Exports (as % of GDP)	46.3	37.0	59.8	66.1	70.9	50.0	48.3	61.1	61.5	61.8
Import (as % of GDP)	44.1	33.6	58.3	82.9	84.1	54.8	52.2	67.4	66.5	64.7

TABLE 20

Trends in Economic Performance										
	1990	1991	1992	1993	1994 ^a	1995	1996	1997	1998	1999
Total GDP:										
• Billion roubles	42,9	86,6	917,0	9858,7	17814,5	119813,1	184173,9	356079,3	675159,4	2890320,3
• Annual growth rate (%)	—	-1,2	-9,6	-7,6	-12,6	-10,4	2,8	11,4	8,4	3,4
GDP per capita annual growth rate (%)	—	-1,3	-10,0	-8,0	-12,6	-10,1	3,1	11,8	8,7	5,1
Average annual rate of inflation (%)	—	183,5	793,5	617,1	683,1	268,4	119,4	140,1	148,6	207,7
Exports (as % of GDP)	46,3	37,0	59,8	66,1	70,9	50,0	48,3	61,1	61,5	61,8
Доход от налогов (as % of GDP)	25,0	21,0	27,0	30,0	31,0	25,0	24,0	—	—	—
Direct taxes (as % of local taxes)	42,4	51,2	41,1	46,7	46,5	57,3	52,0	—	—	—
Overall budget surplus / deficit (as % of GDP)	—	—	-2,0	-5,5	-3,5	-2,7	-2,0	-2,2	-1,5	-3,0

^a Including local currency denomination