

Who Blocks Economic Reforms in Belarus

No economic reforms will be carried out in Belarus, Alexander Lukashenka announced in his 26 January address to the government.

This was the fourth time since the October 2015 presidential election that the President confirm his desire to keep the existing state-dominated economic system.

Lukashenka's statements suggest an ongoing struggle within the political elite over the country's economic future. The anti-reform coalition includes heads of state-owned enterprises, officials who work in the ministries and concerns tasked with coordinating the state sector, and supervisory agencies that benefit from arcane rules and regulations. So far, the President has sided with the old guard on the desirability of economic reforms.

Who Advocates for Reforms

Economic reforms such as reducing subsidies to state enterprises and allowing private business more freedom have been on the government's agenda for a long time. [Lukashenka](#) frequently references to the reforms them when accusing his government of seeking to "inhibit the development of Belarus's political system."

According to Lukashenka's economic adviser [Kiryl Rudy](#), "since 2013 all leaders of the Government and the National Bank ... have generated structural reform programmes." And these programmes are becoming more comprehensive because of the government's growing awareness about the need for reforms.

The advocates of reforms include First Deputy Prime Minister [Vasil Maciusheuski](#), Deputy Head of the Presidential Administration [Mikalai Snapkou](#), Lukashenka's economic adviser Kiryl Rudy, Chairman of the National Bank [Pavel Kalavur](#) and others. All of them attended the meeting on economic development held on 26 January and headed Lukashenka's announcement.



On average, members of the pro-reform coalition hold higher positions in the government than its opponents do. They have built ties with independent economists and international organisations. They are not only more pro-Western, but also more knowledgeable about the economy than an average Belarusian bureaucrat. These people support the reforms because they see no other option for generating economic growth.

And yet the pro-reform group is currently losing ground to the opponents of economic changes.

Who Wants Business as Usual

In December 2015, daily *"Belarus Segodnya"* (*Belarus Today*) published two lengthy articles by Siarhei Tkachou, Lukashenka's former economic adviser. In the articles, Tkachou criticises free market principles, praises Belarus's current

economic model, and warns about the dangers of embarking on "radical reforms."

Tkachou's uncompromising position suggests that he may stand at the forefront of the old guard that opposes the economic reforms. The fact that his ideas were printed in the largest and most read Belarusian newspaper suggests that they reflect an influential strand of thinking among the country's political and economic elite.

Trakchou's views are certainly shared by heads of state-owned enterprises who view the reforms as a danger to their comfortable existence. According to Belstat, the national statistics office of Belarus, every fifth state-owned company remains unprofitable. Without government subsidies and protectionist policies, most of these entities will go out of business. Their directors will lose jobs.

The officials who work in the ministries and concerns tasked with coordinating the state sector will also suffer from economic restructuring. Many of these entities, such as the Ministry of Industry or the State Concern for the Production and Sale of Light Industrial Products, continue to advocate increasing governmental subsidies.

The third group of potential "losers" comprises various supervisory and law-enforcement agencies. In 2014, the Ministry of Taxes and Fees uncovered violations in the documentation of 99% of private entrepreneurs it inspected. In 2015, 99 out of 100 customs inspections revealed violations according to the representatives of the State Customs Committee. Such high rates of violations might be due to arcane rules and regulations, on the one hand, and to [corruption](#) within the law enforcement and supervisory agencies, on the other hand.

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Belarusian officials

Many state agencies do not play a productive economic role. Instead, they serve primarily the material interests of their employees. Simplifying Belarus's economic legislation and limiting powers of supervisory agencies will deprive their personnel of abundant opportunities for rent-seeking.

The economic reforms will also deprive the soil under the feet of many advocates of the previous economic policy which lead to the current sorry state of the Belarusian economy. Consciously or not, these people misstate the facts to avoid reforms.

For example, Leader of the National Academy of Sciences of Belarus Uladzimir Husakau recently said that the growth of the Belarusian economy in 2016 could reach 8-8.5% of GDP. This is a striking and unrealistic prognosis at the time when everyone in the government, international organisations and independent think tanks expects [further recession](#).

The anti-reform camp lacks clear leaders, but is held together by the broad consensus among the middle and low-level Belarusian officials. These people believe that the current economic crisis will hardly destroy Belarus's political system, while system reforms might.

Which camp Lukashenka belongs to

Many key figures in Belarusian politics, including the President's son [Viktar Lukashenka](#) and Belarusian Foreign Minister [Uladzimir Makei](#), have remained silent on the subject of economic reforms. It is these people who will determine which side the president chooses in the reform debate.

The Belarusian leader may prefer the ideas of the lower levels

of the bureaucracy for two reasons. First, Lukashenka and the anti-reform coalition share the fear that the reforms will take away their privileges and their ability to control the economy. They also worry that political liberalisation will follow economic changes in Belarus.

Second, Lukashenka does not see the benefits of structural reforms. According to him, there is no reason to "break something in vain while overly straining the people." By "the people" the President means not only the ordinary citizens, but also the entire ruling class.

Yet this does not mean that the President is firmly wedded to the anti-reform coalition. After all, it was Lukashenka who appointed some of the prominent advocates of reforms to senior positions in the Government, the Presidential Administration, and the National Bank.

It is notable that Lukashenka allows both sides to conduct a fairly sharp – by Belarusian standards – debate about the costs and benefits of economic changes. After that, he will make up his mind.