

## The “Byelorussian Puzzle”: Why Belarus Is Doing Better?

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Alexander Lukashenka, the president of Belarus was reelected in March 2006 for the 3-rd term with 83% of the votes. The EU and the US did not accept the results of elections and are talking about imposing sanctions on Belarus. Meanwhile, even though opponents of Alexander Lukashenka believe that elections were rigged, they admit that the majority of the voters definitely support the president, not the opposition. And when he first came to power in July 1994 as an opposition politician, not as an incumbent, he also received over 80% of the votes. Lukashenka definitely enjoyed high support for all his 12 years in power becoming one of the most popular presidents on the post-Soviet space. Why? Mostly because economic and social indicators in Belarus are considerably better than in neighboring Lithuania, Russia and Ukraine and most other former Soviet Union (FSU) republics.

Belarus is one of the 5 former 15 Soviet republics that have already exceeded the pre-recession level of output of 1989, the other four being Uzbekistan, Turkmenistan, Kazakhstan and Estonia (see chart). Growth rates of GDP in Belarus since 1996 are always positive and higher than in most other FSU countries, even though Belarus does not have any oil and gas and even though Belarus privatized only 25% of its economy (the lowest indicator in FSU) as compared to 65% in Russia and Ukraine.

It is said that Belarus is surviving on cheap Russian gas, and that output in Belarus is going to fall, when gas prices are increased. But Ukraine and other FSU states that until recently were also getting cheap gas from Russia, have much less impressive growth record. In addition, energy intensity in Belarus is falling much faster than in other FSU states – from over 0.82 kg of oil equivalent for \$1 of PPP GDP (in constant prices of 2000) to 0.47 kg in 2000.

Life expectancy in Belarus is higher than in Russia, income inequalities and crime rates are lower. There is much less homeless in the streets of Byelorussian cities and the streets themselves are much cleaner than in Russia. The general impression in Minsk is that people live with greater dignity – no affluent wealth, like in Moscow, fewer expensive cars, but also no garbage, beer cans, casinos, gambling machines and cheap advertisement on every corner. No wonder, Belarus is *the only* FSU state that had a positive migration balance with Russia in every single year of 1997-2004 period.

Why “undemocratic” Belarus with non-liberalized economy is exhibiting better economic and social indicators? The short answer is that the Lukashenka government managed to avoid the collapse of state institutions: it spends more on education, health care and public order as a % of GDP than Russia and most other FSU countries and spends the money more efficiently. Only two countries – Belarus and Slovak republic – out of 26 countries of Eastern Europe and FSU, in which BEEPS (Business Environment and Enterprise Performance Survey) was carried out, registered statistically significant improvement of perceptions about all 7 areas of governance (judiciary, protection from crime, control over corruption, custom and trade regulations, business licensing and permits, labor regulations, tax administration).

For more detailed discussion, please see my papers at <http://www.carleton.ca/~vpopov>, in particular:

Shock Therapy versus Gradualism Reconsidered: Lessons from Transition Economies after 15 Years of Reforms. TIGER Working paper No. 82; The Leaders and Laggards in the Slavic Triangle: Comparative Economic Performance of Belarus, Russia and Ukraine. PPP for the University of Toronto Conference “The Slavic Triangle: Between EU and Eurasia”. January 2006.

