

## UKRAINE AND BELARUS - (UN)LIKELY TRANSITIONS?

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### Abstract

*This paper will explore the post-communist paths and political developments of both Ukraine and Belarus after their official break from the Soviet Union in 1991. Since both have often been labeled as transitional countries, my objective will be to assess if their socio-economic situation was indeed transient or, rather, one of stable decay. I will look at the political choices that Ukraine and Belarus made in the aftermath of independence and argue that as a result of their political and socio-economic structural conditions, they could not have mimicked the democratization of “exemplary” Central European states such as Poland, Slovakia, Hungary or the Czech Republic. I will also examine Ukraine’s democratic path and explain the emergence of Ukraine’s democratic impetus in 2004 instead of 1991. I will seek to explore why Ukraine undertook the path of revolution and, hopefully, democracy, whereas Belarus is still struggling after disputed and chaotic elections. Useful as empirical data and econometric analysis is, there is much that is overlooked, and therefore those case studies are especially useful as far as democratization is concerned. While both cases are peculiar in many ways,*

*they are quite relevant for the overall experience of the former Soviet bloc. Therefore, examining them closely can teach us a lot about the ingredients necessary for a successful transition in the context of the former communist states.*

### 1. Introduction

The course of development of the countries from the former Soviet bloc is often referred to as transitional, alluding to the countries’ expected transition to democracy. Analysts have often attempted incorporating those transitions into either the third or fourth waves of democratization. However, it is questionable whether these transitions can be incorporated under a single common taxonomy at all. Moreover, despite the temptation to cast them into the category of democracies, the majority of those countries can be characterized at most as quasi-democracies, feckless pluralities, or even electoral authoritarian states. After more than a decade of “reform and reconstruction”, many still suffer from chronic social and economic illnesses that render the very use of the term “transitional” irrelevant. In the words of Strobe Talbott, the former Soviet bloc got “too much shock and too little therapy.”<sup>1</sup> If one were to plot the

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<sup>1</sup> Moises Naim. “Fads and Fashion in Economic Reforms: Washington Consensus or Washington Confusion?” *Foreign Policy Magazine*. October 26, 1999.

relative success of the various transitional stories of Eastern Europe, one would see a wide spectrum of results. On one end, a group of successful forerunners includes Poland, Hungary, Slovakia, and Czech Republic, along with a subgroup of this category, consisting of Lithuania, Latvia, and Estonia—countries that were not as successful, but nevertheless joined the EU with the first group of Central European states. Next, one finds Bulgaria and Romania, whose limited success was marked by recent EU accession. On the less favorable end of the spectrum one finds Georgia and Kyrgyzstan along with the laggards of transition—also referred to as electoral dictatorships—including Azerbaijan, Tajikistan, Turkmenistan, Uzbekistan, Armenia, and Belarus, where old authoritarian regimes seem to have “resolidified”. This paper will focus primarily on comparisons between Belarus and Ukraine on one hand, and the successful forerunners on the other. While useful insights can be achieved by comparing Ukraine and Belarus with states from any station on the above spectrum, the sharp contrast between transition in some cases and regression in others provides the best means of discussing the viability of Belarus and Ukraine according to more than one criterion.

After the collapse of the Soviet Union and the fall of the Berlin wall, the newly-emerged states were confronted with two options: piecemeal reforms or revolutionary changes to bring about democratization. The international community, the World Bank, and the

IMF vehemently advocated the latter, also known as the “big bang” approach. Ukraine and Belarus did not pursue either option whole-heartedly. Yet, it is worth enquiring whether these states had the “option” of genuine democratization at all. In fact, most democratization theorists predicted that Ukraine and Belarus would be doomed to fail in their first attempts to reform. It is therefore surprising that they have been subsequently criticized for their failure, and begs the question of what had changed in Ukraine by 2004 and why Belarus has failed to follow.

In general, theorists have underscored different conditions for the emergence of democracy. For example, class-based models of democracy, such as the one put forward by theorist Barrington Moore emphasize the significance of class struggles and predict political regimes depending on the groups that emerge triumphant. Applying this model to Ukraine and Belarus, it is easy to understand why the *nomenklatura* prevailed in the class struggle and precluded the possibility of an easy transition to democracy in 1991. On the other hand, modernization theorists have identified a critical threshold income level and industrialization as prerequisites for democracy.<sup>2</sup> When compared the Central European states, both Ukraine and Belarus were lagging under each of these indicators at the

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<sup>2</sup> Adam Przeworski and F. Limongi. “Modernization—Theories and Facts.” *World Politics*, (49(2), 1997): 155–183.

start of the transition period. On yet a different track, scholars such as Dankwart Rustow have emphasized the importance of political pacts as a resolution to significant social conflicts on the basis of which democracies emerge. While Ukraine had many areas of social conflict, no such pact was ever established, even though some attempts have been made to cast the Orange Revolution into that category. Meanwhile, Belarus' direct transition to authoritarianism was not marked by either social conflict or a pact.

This paper will address the viability of each of these theories in turn; yet theoretical discussion may obscure the fact that both Ukraine and Belarus lacked the most basic condition of all for the emergence of democracy—a strong and functioning bureaucratic state. This reason above all others may help us understand why Ukraine and Belarus failed to become full-fledged democracies in the post-Soviet period, and why Belarus has been unable to match recent Ukrainian success.

## *2. An equal start?*

To criticize Ukraine and Belarus for not having democratized in the manner of the Central European states (CEE) such as Poland, Hungary, the Czech Republic or Slovakia relies on the premise that Ukraine, Belarus and the Central European states began from the same starting point in 1989-1991. It is true that any assessment of the post-Soviet transitional experiences usually presents similar results—monolithic

power structures, a general lack of a vigilant civil society or strong democratic traditions—all factors that did not allow for an easy and painless transition. Other common symptoms were the omnipresent corruption and economic malaise. There are a number of parallels that can be drawn to prove that the post-Communist experiences and challenges to Ukraine, Belarus, or any of other former Communist countries for that matter, were not unique. However, such arguments cannot be extended indefinitely and when extrapolated, often prove inaccurate. As experience has proven, states did not enter the transitional period on equal footing. In many ways the CEE was visibly better prepared to embrace democracy and market economy; the subsequent pages will reveal the extent to which Ukraine and Belarus occupied a different “transition tier” than Central Europe.

## *3. A modernization story?*

Scholars of modernization theory, such as Adam Przeworski and Firmo Limongi, have established a positive correlation between economic development, social transformations, and the consolidation of democracy. Albeit tentatively, they have argued that economic constraints “play a role for the survival of democracy.”<sup>3</sup> They propose a mean income threshold level of \$4,115 that, in their judgment, is critical for the emergence of

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<sup>3</sup> *ibid.*, 159.

democracy. Thus, Poland emerged as the dream case of modernization theorists. It “developed under a dictatorship, became wealthy, and threw [the] dictatorship” at the expected income level. According to these criteria, Poland reached the threshold of democracy in 1974 and in 1985.<sup>4</sup> While data is unavailable for Ukraine prior 1991, its income per capita in 1991 was less than \$2,000, clearly disbaring the possibility for consolidating this new “democracy.”<sup>5</sup> Interestingly, however, neither Ukraine nor Belarus have since gone beyond the mean threshold level of income. Ukraine’s GDP per capita for 2005 is \$1,768 while for Belarus it is \$3,163.<sup>6</sup>

Another key factor for modernization theory is the level of industrialization. Modernization theorists have argued that industrialization is essential for the emergence of middle class, civil society, and economic growth—factors that are all crucial for democracy. In general, most communist states underwent similar periods of industrialization that had a negative impact on their economies as central planners skewed their economic structures toward the heavy sectors of

industry.<sup>7</sup> This was true in Ukraine and Belarus, despite their natural endowments. Even today, Ukraine’s economic structure is inherently flawed—about 12% of total output is produced in the traditionally strong agricultural sector while the overwhelming source of production remains in heavy industry such as machine-building and steel.<sup>8</sup>

Prior to independence, Ukraine was of strategic importance for the development of heavy industry in the rest of the Soviet Union. In 1989, it produced 34% of the Soviet Union’s steel and 46% of its iron ore and contributed over 40% of the industrial and 30% of the agricultural “net material product” of the USSR.<sup>9</sup>

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<sup>4</sup> *ibid.*, 161.

<sup>5</sup> For more information, see the “Environmental Information Portal”, available at <http://earthtrends.wri.org/text/economics-business/country-profile-187.html>, accessed 11/05/05. Also, Table 3.

<sup>6</sup> See Appendix—Tables 1 and 2.

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<sup>7</sup> Nevertheless, even at the time when they embarked on economic transitions in the 1990’s, the Central and Eastern European states had more balanced economies—a big part of their output was concentrated in the services sector which, on average, covered around 45% of GDP.

<sup>8</sup> Classification by sector in 2004 showed that only 30-40% of the population is employed in the services sector. By way of comparison, in Bulgaria, one of EU’s lagging membership candidates, services account for about 2/3 of the national GDP. Because of the heavy emphasis on heavy-industry during the period of planned economy, the telecommunications and high-tech industry sectors are significantly underdeveloped in Ukraine.

<sup>9</sup> Hugh Hinton, “Explaining Policy Choices in Transition Economies: Models of Economic Policy in Ukraine,” *International*

Belarus, too, specialized in heavy industry—primarily machine building and military production. After the total destruction of its industrial base during WWII, Belarus began renovation that allowed it to sustain higher labor productivity than many other former republics of the Soviet Union. However, soon after the collapse of the Soviet Union, the two states, having inherited a great number of the deficiencies of Soviet economy, faced serious problems. The cycles of production dictated by the USSR imposed an economic interdependency among the republics. In other words, any good produced in a given republic could not be completed without using the products or facilities of other republics. What is more, Russia was no longer an indispensable market for their products. Suffering from the protectionism of the European Union, Ukraine and Belarus could hardly find markets for their production. While the quality of their products was decreasing, costs increased because of the obsolete technology used. Moreover, heavy industry was largely dependent on imports of electricity and energy-carriers such as natural gas and oil from Russia, which made their economies vulnerable to external shocks and fluctuations in the value of the dollar—the major currency in the energy sector.

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*Journal of Economic Development.* (2, 2000): 67–108.

The Central European states were similarly burdened by Communist economic planning, but nevertheless found themselves at an advantage.<sup>10</sup> For example, Polish agriculture was never collectivized and as a result only 6% of Polish farms are larger than 15 hectares—the communist tendency for gigantism was somehow resisted.<sup>11</sup> The Czech Republic underwent industrialization prior to the Communist period; thus even the location of Czech industrial enterprises was advantageous compared to other Communist states where factories were built with little regard for the proximity of raw materials or transportation costs.<sup>12</sup> Moreover, after the uprisings of the 1950s and 1960s, Communists in CEE tried shifting the grounds of their

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<sup>10</sup> For comparison, see Table 3 of Appendix, which shows division along the lines of industry and the behavior of various economic indicators since 1990.

<sup>11</sup> A massive 38% of Polish population remains rural while agriculture accounts for almost 26% of all employment. See Crawford, Beverly. *Markets States and Democracy.* (San Francisco: West view Press 1995).

<sup>12</sup> Overall, Czechoslovakia scored better in such socioeconomic indicators as life expectancy and school enrollment, and had the most liberal foreign trade regime and the best stabilization performance between the world wars. See also Ham, J. Svejnar J. Terrell, K. *Unemployment and the Social Safety Net During Transitions to a Market Economy: Evidence From the Czech and Slovak Republics.* *The American Economic Review*, (Vol. 88, No. 5. Dec., 1998): 1117-1142.

legitimacy from the ideological to the economic. No longer able to justify their rule as the dictatorship of the *proletariat*, the party justified its rule by claiming it was necessary to achieve steady growth of production and welfare. In Hungary, the reform process began as early as the 1970s when the Communist party launched a gradual economic reform to introduce some free market elements to the economy. Both Hungary and Poland experienced tremendous foreign investment drives fueled by the import of technology and capital through foreign loans.<sup>13</sup> Both Poland and Hungary engaged in significant trade relations with Western Europe. Even though they found themselves in the difficult position between its Com-econ partners and the European Community, this marked a first step of gradualism towards a market economy.

In spite of the fact that Ukraine and Belarus shared many of CEE's inherent economic problems, they had larger foreign debts and did not experience even the early stages of the capitalist transition seen in Poland and Hungary had. However, the fact that Czechoslovakia as well did not have market socialism begs the question of whether this was the key to the easy

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<sup>13</sup> For more information, see the Glenn E. Curtis, ed. *Poland: A Country Study*. Washington: GPO for the Library of Congress, 1992 at <http://countrystudies.us/poland/50.htm>, accessed on 11/3/05.

transition of the Central European states.<sup>14</sup> Moreover, even though there are grounds to conclude that Central and Eastern Europe had a marked economic advantage when compared to other states from the Communist bloc, there is not a consistent economic criterion or indicator in which the Central European states uniformly had an advantage vis-à-vis the rest. Before the transition, the three states differed in their democratic traditions and levels of economic development.<sup>15</sup> A further problem is presented by the cases of Bulgaria and Romania, where success was achieved, eventually, despite no precedent of liberalization prior to the fall of the Soviet Union.

The key to this dilemma lays in the presence—or absence—of strong state bureaucracies states, required to shift the outcome of the class struggle and

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<sup>14</sup> It is still useful to consider that former Czechoslovakia had the second lowest level of foreign debt—a great advantage that allowed it to not assume drastic stabilization plans in the very short run.

<sup>15</sup> Every state followed a path of economic transition that was suited to its needs—Poland resorted to shock therapy, Hungary successfully continued its gradualism and after dissolution, both Czech Republic and Slovakia tailored their economic policy to the relative level of development of their economies. See also, Paul Leo Dana. “The hare and the tortoise of former Czechoslovakia: reform and enterprise in Czech and Slovak Republic.” in *European Business Review*. (Bradford; 2000. Vol 12, Issue 6): 337.

allow for economic development once transition begins. Modernization theory does not do a good job of explaining the democratic impetus in Ukraine in 2004, but it does points to a very interesting trend—namely how the time and fashion of industrialization impact the chances for democracy. I will later return to this point since industrialization in Belarus and Ukraine, seen as a blessing of communism, affected the attitude and outlook of the political class and ordinary people.

#### 4. Class Structure

In terms of class structure and civil society, Ukraine and Belarus were, once again, fairly disadvantaged vis-à-vis Central Europe. In general, democratic reforms are carried out by discontented elites who, from ideological or material motivations, are resolved to change the status quo. Poland's Solidarity, for example, was one such forum of discontented elites, a bulwark against repression to which neither Ukraine nor Belarus had any analogue. In fact, it is often argued that the CEE countries are quite distinct from the rest of the Soviet bloc. Positioned between the East and West, they share the common imprint of the Habsburg Empire and thus have a common cultural background associated with Western Christianity. This shared sense of common identity was further reinforced by Soviet oppression during the Cold War. The red bureaucratic strata were seen as an imposition of communism while communism itself was detested by the average citizen. In

sharp contrast to the Central European states, neither Ukraine nor Belarus formed dissident movements during the Brezhnev era nor were they as responsive to Gorbachev's *glasnost* and *perestroika* as other members were.<sup>16</sup> In addition, there were other societal factors working to the favor of the Central European states. Thus, Solidarity was aided by the strong presence of the church which, historically, has acted as a vigilant during the dark years of repression.<sup>17</sup> Overall, the strong position of the Catholic Church, the emergence of independent trade unions, and the survival of private agriculture made Poland a special case in the socialist system.<sup>18</sup> While Communism in Poland was brought down by the powerful push of Solidarity, in Hungary reformist Communists played a major role in toppling the regime. The most orthodox regime in the region—Czechoslovakia—simply collapsed

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<sup>16</sup> *Contemporary Belarus—Between Democracy and Dictatorship*. Ed. Elena Korosteleva. (Routledge, NY, 2003), 12.

<sup>17</sup> While the influence of the Orthodox Church in general was severely curtailed during Communism, Ukrainian church was further disabled by being under the strict influence of Russia.

<sup>18</sup> It has to be acknowledged that neither Czechoslovakia nor Hungary possessed such a genuine counterforce as the Solidarity movement even though Czechoslovakia had a sizeable and politically conscious working class and bourgeoisie. See Attila Agh., *The Politics of Central Europe*. (Thousand Oaks: SAGE Publications, 1998).

after giving up its last hope of survival. In Ukraine and Belarus, however, that was not the case. In fact, it has been argued that Ukraine and Belarus did not have a legitimate aristocracy in the early 1990's nor were their political classes reformist. Regardless of whether one counts them as genuine elites or not, in both Ukraine and Belarus it was the *nomenklatura* that "won" the class struggle in the political vacuum of 1991.

In both Ukraine and Belarus, the *nomenklatura*—the outdated and overly convoluted Soviet regulatory system and the bureaucracy—were, and still remain, a major obstacle to establishing a functioning civil society. Ironically, it is the closest that Ukraine and Belarus have ever had to elites. During Soviet times, the *nomenklatura* had undue influence over the life of the average person. Even after they gained independence, the bureaucratic apparatus remained an active player on the political scene. "The fact that the [collapse of Communism] occurred without violence allowed the former Soviet elites to remain in place".<sup>19</sup> The old elites, needless to say, were highly unwilling to relinquish their power. In Ukraine, however, the *nomenklatura* was further accommodated by the burgeoning underground world. Similarly to the way matters evolved in Russia, by extending capital and political protection to "outsiders" (most

of whom did not stand a feasible chance of running for office due to their ethnic or political profile), the old *nomenklaturchiki* ensured the financing of their future political campaigns from this emerging class of new "elites," also known as oligarchs.

Calling themselves new democrats, nationalists, and reformed socialists, the old bureaucrats were the ones expected to lead the country on the road to market economy and progress. However, the old elites had no interest in creating a system of checks and balances or a strong bureaucratic state once the old system collapsed. Stripping state assets and privatizing state enterprises at little or no cost seemed a far more attractive option. Consequently, joined in their efforts by the oligarchs, they led their countries on the road to catastrophe. Unlike the elite factions in Poland, the new Ukrainian "elites"—many of whom came from the underground circles of Ukrainian mafia—did not confront the totalitarian bureaucracies.<sup>20</sup> Neither did they reform themselves like Communists in Hungary. Rather, the two factions sought to collaborate more. They entered into comfortable relationships with one another, rearranged themselves under new party lines and platforms, and divided the state assets.

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<sup>19</sup> Orest Subtelny, *Ukraine—A History*. (University of Toronto Press, 2000), 632.

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<sup>20</sup> Alexander Motyl, "Structural Constraints and Starting Points: The Logic of Systemic Change in Ukraine and Russia" (Comparative Politics, Vol. 29, No 4, Jul. 1997.): 433-447.



Even though the emphasis of reforms fell on state building, soon after its independence, Ukraine undertook a series of economic reforms. Prices were liberalized and privatization legislation was passed.

[P]rivatization, by creating ample scope for those with such ties to mobilize resources to centralize dispersed citizen-shares, makes such activity much more likely. Such quick privatization also creates owners with very little experience, knowledge, or ability to monitor from managers. This makes successful restructuring much less likely, which makes actors more likely to act exclusively in their private interest, and pursue parasitic satellite strategies.<sup>21</sup>

The political and economic vacuum that came as a consequence of large-scale privatization allowed for the emergence of clientelistic networks between the politically and financially empowered groups. In such environment, “shaped by the old bureaucratic elite, the country will very likely not experience a successful transition.”<sup>22</sup> Rather, some of the most often recurring practices that emerged involved funneling out state reserves, exploiting political

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<sup>21</sup> Ibid.

<sup>22</sup> Lawrence King. *Making Markets: “A Comparative Study of Post communist Managerial Strategies in Central Europe.”* In *Theory and Society: renewal and critique in social theory*, Vol. 30 (New York: Elsevier Scientific Publication, 2001).

connections and other machinations, which ultimately gave rise to the so-called *patrimonial* or *crony capitalism* where actors, “Utilize political power or clientelistic access to finance regularly to secure opportunities for profit or expand their businesses.”<sup>23</sup>

The profitable relations between the oligarchs and the executive branch excluded the general population and resulted in the relentless impoverishment and misery of the people.<sup>24</sup> What is more, the government adopted inappropriate economic policies—loose monetary initiatives such as covering budget deficits by printing money, increasing money supply, and “emitting currency in the form of budgetary and off-budget credit subsidies to state-owned and other large enterprises”.<sup>25</sup> As a result, the country descended into a vortex of hyperinflation in 1993. By 1999, Ukraine had lost 60% of its 1991 output

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<sup>23</sup> Ibid.

<sup>24</sup> Not only did the oligarchs invest in buying off politicians, but they also started running for parliament. Having turned into business moguls, the above mentioned oligarchs became powerful to the extent they came to control good parts of the political, economic and public life.

<sup>25</sup> Robert S. Kravchuk, “Budget Deficits, Hyperinflation, and Stabilization in Ukraine: 1991-96” available at [http://www.huri.harvard.edu/workpaper/kravchuk/mon\\_trends.html](http://www.huri.harvard.edu/workpaper/kravchuk/mon_trends.html) Also see Figure 1 in Appendix.

and the better part of the population descended into poverty.<sup>26</sup>

The reason why things devolved in such fashion is that, unlike Central Europe, Ukraine did not have a strong Weberian state on the basis of which to build democracy. It did not have a bureaucratic state to provide regulatory leeway for the benefits of economic opening.<sup>27</sup> As Lawrence King has argued, “privatization and markets themselves do not lead to efficiency and development in the post-communist economy. Rather, their effects are dependent on the local social structure of the societies they impact.”<sup>28</sup> Because the spoils of Communism were of such nature that they could not be divided through social pacts and because the *nomenklatura* held the balance of power in 1991, Ukraine missed the path to democracy. Another reason why the red bureaucracy managed to “win” the class struggle was the absence of genuine democratic or state traditions.<sup>29</sup>

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<sup>26</sup> Country profile—Ukraine. Economist Intelligence Unit. Data accessed from <http://www.eiu.com/> at 3/3/06.

<sup>27</sup> The Freedom House index is another good measure of how Ukraine fared among other transitional states for the periods both preceding and following the collapse of Communism. See Appendix.

<sup>28</sup> King. *Making Markets*. 2001.

<sup>29</sup> Czechoslovakia came closest to making democracy work and the democratic process was interrupted by external, rather than internal, forces. Poland made an attempt at parliamentary democracy, but after 1926 it reverted to an authoritarian regime under the

Not only do Belarus and Ukraine lack any tradition of democracy, but they also had no substantial tradition of statehood. In fact, with the exception of Russia, after the collapse of the USSR, none of the former Soviet republics had civil society, rule of law, or autonomous culture. Each one of them “emerged without bona fide states, genuine elites...genuine cultures and hence without genuine nations.”<sup>30</sup> While Russia or any of the CEE states could use as a base and expand upon the state-structure they had inherited, Ukraine and Belarus did not have such an option.<sup>31</sup> The question remains,

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indirect rule of Marshal Pilsudski—the hero of the Polish-Russian war. Hungary went through a chaotic period after WWI when the short lived Soviet Republic was followed by two attempts by the last Austrian-Hungarian Emperor to regain his throne. She eventually managed to establish a democratic system, weighted towards conservatism, but it gradually shifted to authoritarianism under the Regent admiral Horthy, especially after 1932.

<sup>30</sup> Alexander Motyl, “Structural Constraints and Starting Points: The Logic of Systemic Change in Ukraine and Russia”, (*Comparative Politics*, Vol. 29, No 4, Jul. 1997.): 433-447.

<sup>31</sup> Not surprisingly, most of the newly-independent states, including Ukraine under Kravchuk, engaged in intensive state-building. While Western observers have blamed Ukraine’s governing elite for the unusual stress they laid on state-building as opposed to rebuilding the economy, it is worth questioning how feasible it is to try to establish market economy without the foundation of a state.

however, if those issues had been resolved by 2004.

### *5. Ukraine in Orange*

If Ukraine had remained an underdog in post-Soviet Eastern Europe, the saga of the 2004 elections revealed renewed prospects for fruitful transition to democracy. Despite the cataclysmic nature of the Orange Revolution itself, Ukraine's reversal of fortune was more directly related to a series of political developments which had coalesced slowly after 1991: a developed middle class, an empowered civil society, and more diversified industry; all of which acted to tip the political balance when the forces of liberalism were brought into conflict with the old regime—and all of which remained stunted in Belarus. In the following section, each of these dimensions will be explained in turn.

**Economy:** Despite many precedent shocks, by 2004 the Ukrainian economy had managed to progress and diversify significantly. For example, public services and the non-profit sector underwent significant growth and stood for more than half Ukraine's GDP in 2004.<sup>32</sup> There was substantial progress in telecommunications, the production of drugs and pharmaceuticals, food processing and packaging equipment,

medical equipment, and information technologies.<sup>33</sup> A big boost of GDP owed to sectors such as metals and chemicals in response to a growing demand in Russia and Asia. In addition, there was a surge in steel exports to China. The government, with Viktor Yushchenko as Prime Minister, initiated several policies aiming at stimulating those sectors by forgiving tax arrears in the metals sector and by reducing railway transport costs.<sup>34</sup> In 2002, trade had almost doubled and GDP growth had reached 5.2%; the next year, it increased 9.6%; and in 2004 it grew by 12.1%.<sup>35</sup> Growth was sustained through strong domestic demand and growing consumer and investor confidence. Although the oligarchs took most advantage of the economic growth, it nonetheless also helped build on a new middle class and stronger civil society.

### **Civil Society and Freedom of Speech:**

As arbiters of the strategic interaction between government and opposition, the citizenry had clear-cut and

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<sup>32</sup> See Appendix—Tables 1 and 4. Despite solid economic growth in 2004, high oil prices and political unrest led to an economic slowdown for 2005.

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<sup>33</sup> For more information, see US Government Export Portal. Available at [http://www.export.gov/comm\\_svc/press\\_room/marketofthefmonth/Ukraine/ukraine.html](http://www.export.gov/comm_svc/press_room/marketofthefmonth/Ukraine/ukraine.html), accessed 3/3/06.

<sup>34</sup> Economist Intelligence Unit. Data accessed from <http://www.eiu.com/> at 3/3/06.

<sup>35</sup> See Table 4 in Appendix. Ukraine's annual economic growth increased from 6 % in 2000 to 9 % in 2001 and was steadily above 4 % in 2002. Economist Intelligence Unit. accessible at [www.eiu.com](http://www.eiu.com), accessed 4/2/06.

pronounced preferences in 2004. The proliferation of foreign-funded NGO's helped tremendously for the emergence of a vigilant civil society. Reportedly, between 13 and 67 million US dollars were pumped in Ukraine through NGOs, the number of which reached 40,000 in 2004.<sup>36</sup> In addition, Ukrainian media had become more independent as measured by the Media Sustainability Index (MSI), accounting for independence, plurality of news sources and free speech. Consequently, ordinary people had a greater awareness of the endemic corruption, and realized the importance of 2004 elections. An attestation of this was the emergence of local, youth activist organizations similar to Serbia's "Otpor" and Georgia's "Kmara." Likewise, Ukraine's "Pora" ("It's time") was organized along Leninist *agitacni* principles and sought to uphold the revolution, by acting as a "spearhead of disaffected youth, holding demonstrations, policing rock concerts and, all the time, demanding accountability from the regime."<sup>37</sup>

Even the Church—formerly suppressed under Communist rule—and the

military became forces in the Orange Revolution. Viktor Yushchenko received public support from several prominent religious figures who spoke out against the "immoral regime."<sup>38</sup> Meanwhile, the Ukrainian military and security services decision not to use force against protestors, despite demands from Yanukovich and other hard-liners, proved crucial. According to *New York Times* correspondent C.J.Chivers, "after the Interior Ministry unilaterally marshaled troops to attack the demonstrators, SBU leaders made it clear that they would use force to protect the protesters".<sup>39</sup>

This made Ukraine's push for democracy in 2004 far more feasible than in 1991. Coupled with the significant international pressure to ensure the legality of the elections, it is a safe assumption that the balance of power in this case was tipped on the side of the democratic forces. Another revealing feature in 2004 was the fact that Ukraine's political institutions—the presidency, the parliament, the Supreme Court, and the political parties—had acquired political legitimacy, which became obvious during the crisis:

Even Yanukovich, after losing the presidential run-off of 27 December, proceeded to challenge Yushchenko's

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<sup>36</sup> Adrian Karatnycky, "Ukraine's Orange Revolution", *Foreign Affairs*, (March/April. 2004).

<sup>37</sup>"Ukraine's Clockwork Orange Revolution," British Helsinki Human Rights Group, at <http://www.bhhrg.org/CountryReport.asp?CountryID=22&ReportID=241&ChapterID=731&next=next&keyword=>, accessed 12/4/05.

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<sup>38</sup> Economist Intelligence Unit. accessible at [www.eiu.com](http://www.eiu.com), accessed 4/2/06.

<sup>39</sup> Adrian Karatnycky, "Ukraine's Orange Revolution." *Foreign Affairs*, (March/April. 2004).

victory in the central election commission and the supreme court. Ukraine had acquired formally democratic rules of the game under Kuchma, but it became clear during the revolution that these rules had stuck and were beginning to function as real democratic institutions.<sup>40</sup>

Clearly, in 2004, the balance of power in the class struggle had tipped in favor of the emerging middle class, supported by the military and the church.<sup>41</sup> While failing to fully explain the Orange Revolution, these factors provide additional insight as to why this democratic impetus emerged in 2004 instead of 1999 and why Belarus could not repeat this feat. Belarus in 2006 had achieved little progress on its way to democracy. In fact, the country was moving further toward authoritarianism. Despite meager attempts to produce a “color” revolution of their own, Belarussian demonstrations proved insufficient for the Lukashenko regime to be toppled. The following pages will

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<sup>40</sup> Alexander J. Motyl. “Democracy is Alive in Ukraine” available at [http://www.opendemocracy.net/democracy-ukraine/alive\\_2822.jsp](http://www.opendemocracy.net/democracy-ukraine/alive_2822.jsp), accessed 11/24/05.

<sup>41</sup> The growing independence of media in Ukraine has been measured by the Media Sustainability Index (MSI). According to it, Ukraine has moved progressively up on the charts measuring independence, plurality of news sources and free speech. In contrast, Belarus is still in the bottom of the charts. For more information, see the International Research and Exchanges Board database available at <http://www.irex.org/msi/2005/summary.asp>.

relate the extent to which Belarus, adhering more strictly to Russia’s “super-presidentialist” model, escaped the oligarch curse but also precluded the possibility of any cracks for political and economic transformation.

#### *6. Monopoly of power: Is Belarus authoritarian?*

A different spin on the traditional class based models of democracy is provided by theorist Michael McFaul who, mimicking Weber, argues that the outcomes of transitions depend primarily on who holds the monopoly of power.<sup>42</sup> After the 1991 coup in Moscow, the communists in Belarus were in disarray, allowing liberals and nationalists to take advantage.<sup>43</sup> A founder of the faction *Communists for Democracy*, Lukashenko came to power after the hasty elections in 1994, following the short rule of Stanislaw Shushkyevich. The factors that impeded democracy in Ukraine were valid in the case of Belarus, too. However, instead of simple *nomenklatura-oligarchy* collaboration, the result of class struggle in Belarus was an entrenchment of authoritarianism and super-presidentialism. This has proven

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<sup>42</sup> Michael McFaul. “The Fourth Wave of Democracy and Dictatorship: Noncooperative Transitions in the Postcommunist World.” *World Politics*, (54, 2002):212–244.

<sup>43</sup> *Contemporary Belarus—Between Democracy and Dictatorship*. Ed. Elena Korosteleva. (Routledge, NY, 2003), 24.

no more successful in political and economic terms, and has stunted the development of any sort of subterranean civil development similar to that which enabled Ukraine to reverse course.

Politically, Belarus has become little more than a quisling to Moscow. Lukashenko has not hid his strong pro-Russian orientation, sealed with a series of pacts giving significant political concessions to Russia in exchange for economic support and preferential prices in the energy market. The political rapprochement of the two countries was marked by a succession of treaties that envisioned harmonization of policies with respect to citizenship, monetary policy, defense and foreign policy.<sup>44</sup> In economic terms, things did not take a happy turn either. Even though Belarus has reported some economic growth for the last few years, “peculiarities in official Belarussian statistics” have put into question the reliability of this data. Over 40% of enterprises and a majority of collective farms are on the verge of bankruptcy and currently operate at a loss.<sup>45</sup> Lacking an independent central bank, Belarus became easy prey for

inflation as monetary practices such as the printing of money were regularly used to finance deficits. Inflation is the highest in the region, despite falling to 18% in early 2004.<sup>46</sup> Belarus has the lowest levels of FDI in the region and has firmly rejected Western economic assistance.<sup>47</sup> The Swedish furniture firm Ikea and Russian beer producer Baltika have decided to withdraw their business because of “unrealized government commitments or unwelcome interference”.<sup>48</sup>

Ever since coming to power, Alexander Lukashenko has sought to maximize and centralize presidential authority. Through a referendum in 1996, widely denounced as non-democratic, Lukashenko managed to amend the 1994 constitution and extend his term in office. Not facing any censure for his actions, in 2005 Lukashenko attempted, once again, to use referendum in order to amend the constitution and allow himself to run for president unbound by term limits.<sup>49</sup> The parliamentary and

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<sup>44</sup> Treaty on the formation of a community of Russia and Belarus (1996), the treaty on Russia-Belarus union, the Union Charter (1997), and the treaty of the formation of a Union State (1999). Economist Intelligence Unit, accessible at [www.eiu.com](http://www.eiu.com)

<sup>45</sup> *Contemporary Belarus—Between Democracy and Dictatorship*. Ed. Elena Korosteleva. (Routledge, NY, 2003), 24.

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<sup>46</sup> Country Profile—Economist Intelligence Unit. accessible at [www.eiu.com](http://www.eiu.com)

<sup>47</sup> In 2004, Belarus rejected a World Bank loan to assist it fight AIDS and TB.

<sup>48</sup> Data from the Economist Intelligence Unit, accessible at [www.eiu.com](http://www.eiu.com)

<sup>49</sup> Throughout his presidency, Kuchma, too, attempted amending the electoral system to his advantage by looking to extend the number of terms the president is allowed to serve. However, more worrisome was his plan to transfer the election process from the general populace to parliament by allowing the *Rada* rather than the people to have the

presidential elections, held in 2000 and 2001 respectively, were marked by opacity and blatant violations of democratic principles. Human rights violations and election fraud in 2006 was documented by the Organization for Security and Cooperation in Europe's Office for Democratic Institutions and Human Rights (OSCE/ODIHR), and even captured on camera.<sup>50</sup> The European Union and the United States were unwilling to recognize the 2006 election results and threatened to impose sanctions on Belarus.

Human Rights Watch has released several reports condemning the government for its repressive measures aiming to curb civil rights and liberties, including caps on foreign funding, limitations on access to newsprint and printing presses, censorship, suspending independent and opposition periodicals, and even detaining dissenting individuals. The outright imprisonment of MPs has become a disturbing fact of Belarussian political life, while others have been forcefully exiled. Former Prime Minister Mikhail Chyhir, opposition leader Zianon Pazniak,

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constitutional right to elect the president. Not surprisingly, his approval ratings fell to 7%. Fortunately, international pressure and fierce opposition paid off and these attempts were frustrated.

<sup>50</sup> The video and the report that ensued can be found at: <http://www.media-ocean.de/2006/03/26/does-youtube-video-proove-election-fraud-in-belarus/>. Accessed 5/1/06.

former Minister of Internal Affairs Iuryi Zakharenka and others are just a few examples. These facts speak not only to the authoritarian nature of the Belarussian regime, but to the obstacles that systematic authoritarianism presents to any endogenous move toward liberal development.

### *7. The Background Condition*

A crucial element that proved an obstacle for both Belarus and Ukraine was the so-called "background condition" postulated by Dankwart Rustow as a vital component of democracy-building. The background condition asserts that for a democracy to emerge the "vast majority of citizens in a democracy-to-be must have no doubt or mental reservations as to which political community they belong to".<sup>51</sup> It is important to note that the background condition does not relate to ethnic homogeneity but rather, in this case, to the requirement that most Ukrainians or Belarussians associate politically with their respective states instead of having a mixed loyalty to both their governments and Russia. Thus, the ethnic homogeneity of Belarus is not a guarantee that the citizens will direct their loyalty towards the Belarussian state. While it is important to keep in mind that people can often times have multi-layered

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<sup>51</sup> Rustow, D. Rustow. "Transitions to democracy: Toward a Dynamic Model." *Comparative Politics*, (2, 1970):337-363.

identities, and that does not necessarily preclude the emergence of democracy, the background condition is nevertheless a good measure of a country's social cleavages and a good predictor of class struggle.

While it is questionable to what extent it satisfies this condition presently, there is no doubt that Ukraine has historically been torn by factionalism and regionalism. It has been remarked that geography is destiny, and in no case does this seem more relevant than in the case of Ukraine. For most of its history, the territories of Ukraine had been parts of various multiethnic political empires. Those historical divisions have their contemporary expression in Ukrainian political life today, divided between the Russified East and the distinctly Ukrainian West which was not part of the Soviet Union until 1945. Despite the fact that it has avoided civil war or partition, unlike other formerly communist states such as Yugoslavia and Czechoslovakia, small-scale ethnic tension has been a problem in Ukraine since independence. Political divisions coincide with the language split; Russian is primarily spoken in the East, whereas Ukrainian predominates in the West. These regional disparities in Ukraine become obvious when analyzing the 2004 election results, despite their questionable authenticity. Variations were quite revealing: Yushchenko carried 17 regions in the western, central, and northeastern parts of the country, and Yanukovich held

sway in Ukraine's ten southern and eastern regions.<sup>52</sup> These disparities become even more obvious when comparing media reactions to the elections in the east and the west. Whereas in eastern Ukraine Yushchenko and his team were castigated as "ultranationalists and CIA agents," they enjoyed significant support in western Ukraine. For example, TV stations UT 1, *Inter*, and 1+1 showed extensive pro-Yushchenko campaign ads while having little or no coverage of Yanukovich's campaign.<sup>53</sup> In contrast, *ICTV* and other eastern local channels heavily leaned toward Yanukovich.

The absence of crosscutting cleavages in Ukraine was a serious impediment for the country's transition to democracy in 1991. Clearly at no point in its post-Soviet life did Ukraine satisfy the background condition. Even though the 2004 election results were a good measure of how relevant regional disparities still are, it has to be accounted that institution building in the last 14 years has helped substantially to alleviate them. In fact, the argument has been made that the

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<sup>52</sup> Adrian Karatnycky, "Ukraine's Orange Revolution", *Foreign Affairs*, (March/April, 2004).

<sup>53</sup> "Ukraine's Clockwork Orange Revolution," British Helsinki Human Rights Group. For more information, at <http://www.bhhrg.org/CountryReport.asp?CountryID=22&ReportID=241&ChapterID=731&next=next&keyword>, accessed 12/4/05.



revolution itself emerged as the greatest cross cutting cleavage in Ukraine. If nothing else, this “transformation of Ukrainians from a passive populace into a self-conscious citizenry” may be the single most important legacy of the Orange revolution.

The above-mentioned clash between the pro-Slavic Russian identity and the pro-European sentiments are a characteristic of Belarus as well. After an extensive Russification campaign through the twentieth century, only a small portion of Belarussians speak their native language. Some scholars go as far as describing the above-mentioned phenomenon as a “lack of history.” Even Belarus “pundits” such as Vital Silitski and Jan Zaprudnik argue that without “sufficient nationalist feeling, it is difficult to create a cohesive modern state.”<sup>54</sup> Perhaps this is related to the fact that Belarus, in addition to being a weak state, never perceived the Soviet leadership as oppressive like Czechs or Hungarians or Poles did. In fact, in 1991, over 82.7% of Belarussians supported the preservation of the Soviet Union.<sup>55</sup> However, this is not that surprising since for Belarus the Soviet era brought industrialization, albeit inefficient, cultural development, and rule of law, which gave a silver lining to communist rule. In contrast, the Central European states had already

industrialized and developed a middle class and elites. The red bureaucratic strata were seen as an imposition of communism while communism itself was detested by the average citizen. While far from it being the rule, Communism was detested by important layers of society and perceived as a strange imposition. Whether one embraces the “background condition” or not, the above-mentioned comparison has two key implications: first, the majority of Belarus’ population still embraces the Communist idea and favors a rapprochement, if not a union, with Russia; second, the masses in Belarus will be difficult to unite in a struggle against Lukashenko. Thus, it becomes easy to understand why Belarus did not opt for democracy in 1991 and why the so-called “Denim Revolution” was not a genuine revolution.

#### *8. Democracy-Triggers*

A common theme among all theories of democratization, despite their differences, is the emphasis on political actors and “causers” of democratization. This “requirement” helps explain why the Orange Revolution occurred in 2004 and not in 1991. In 1991 Ukraine lacked a determined and ambitious leader to voice the discontent of the people and the opposition. That leader emerged in the mid 1990’s as Viktor Yushchenko, then chairman of Ukraine’s Central Bank, rose in rank. The occasion that brought him to prominence was the Russian financial crash in 1998, which

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<sup>54</sup> *Contemporary Belarus—Between Democracy and Dictatorship*. ed. Elena Korosteleva. (Routledge, NY, 2003), 76.

<sup>55</sup> *Ibid.*, 21.

led to Yushchenko's temporary appointment as a prime minister and Yulia Timoshenko, one of the former gas oligarchs, as energy minister. Yushchenko and Timoshenko helped deregulate the economy, abolished countless decrees that granted tax exemptions to the oligarchs, preferential trade agreements, and subsidies. Drafting a balanced budget and targeting inflation led to a healthy GDP growth of 7-8% per annum and a 12% aggregate growth in industrial output.<sup>56</sup> Inflation reached weighted average annual rate of 7.52%, down from the 18.88% from 1992 to 2001.<sup>57</sup> Feeling their interests endangered, the oligarchs united with the communists to oust Yushchenko and to install puppets from the civil service instead. Ironically, removing Yushchenko from power transformed him from a technocrat into an opposition leader. The emergence of Yushchenko as someone who was willing to lead and invigorate the opposition made the push for democracy in 2004 much more viable than 1991. In Belarus, however, no such leader has emerged. Alexander Milinkevich did not prove to have the charisma or the political agility to lead

the failed "Denim Revolution." Milinkevich attempted to portray his campaign in terms similar to Yushchenko's in 2004, relentlessly touring Belarus and Western Europe but failing to spur sufficient momentum in the public.

### *9. Conclusion*

The demise of Communism presented Eastern Europe with a myriad of opportunities, but various pitfalls as well. With it came the hasty expectation that the old Warsaw camp would quickly catch up with the rest of Europe. However, the leaders of these newly-emerged countries faced a daunting and unprecedented task – Introducing a market economy and democracy in countries whose markets were ravaged by decades of planned economics and whose societies were deeply affected by Communist rule. Despite Western commitments to help, no one was willing to underwrite the enormous costs of liberalization, privatization, and stabilization—the neo-liberal mantra. Few people seemed to remember that the few times in recent history when a market economy and democracy were introduced simultaneously when imposed by an external hegemonic power--post-WWII Japan and Germany. This clarifies the general challenge facing the former Communist states; some, such as Ukraine and Belarus, were disadvantaged even further.

It is an interesting fact that following the frameworks of several

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<sup>56</sup> Ukraine's annual economic growth increased from 6% in 2000 to 9% in 2001 and was steadily above 4% in 2002. Economist Intelligence Unit.

<sup>57</sup> 2004 Index of Economic Freedom. Marc A. Miles, Edwin J. Feulner, Jr., Mary Anastasia O'Grady, and Ana I. Eiras available at <http://cf.heritage.org/index2004test/country2.cfm?ID=Ukraine> retrieved 07/31/04

democratization theories, Ukraine and Belarus were doomed to fail in their first attempt for democracy in 1991. Having emerged as an independent state tremendously burdened with its Soviet past, Ukraine and Belarus had, realistically speaking, little or no chance in making a successful leap to democracy in the first years of the decade. The absence of revolutionary elites, civil society, a functioning bureaucratic state or economy, among other factors, made that impossible. Both states lacked democratic traditions and were most heavily “injured” by Soviet hegemony. It is illogical to have expected them to transform following the pattern of Central Europe.

However, if Ukraine’s post-Soviet descent was inevitable, its future seems less pre-ordained. In fact, a great deal of it lies in the hands of Ukraine’s West-European neighbors and in the hands of Ukrainians themselves. The EU has to assume a proactive position in encouraging political and social reform in the country, while providing substantial financial support for the modernization of its economy. Of course, it is naïve to lay all responsibility to the EU or other International organizations. However, now that Victor Yushchenko has managed to mobilize a strong opposition or something resembling civil society, it falls to the EU and the international community to give Ukraine a helping hand in the form of political and economic support. Otherwise, if left alone to cope with the remnants of a discontented oligarchy,

this fragile civic movement will fail, political reform will be futile, and the economy will remain stagnant. Meanwhile Belarus shares no similar cause for optimism. The antiquated forces of authoritarianism appear sufficiently entrenched to prevent the flourishing of foundations for a liberal political society. Only time will fully reveal the prospects for success of any such transition.

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**APPENDIX****Table 1: Ukraine: Economic Indicators 2001–2005**

<b>Ukraine</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
GDP at market prices (HRN bn)	204.2	225.8	267.3	344.8	423.4
GDP (US\$ bn)	38	42.4	50.1	64.8	82.6
Real GDP growth (%)	9.2	5.2	9.6	12.1	2.1
Consumer price inflation (av; %)	12	0.8	5.2	9	13.5
Population (m)	48.2	47.8	47.4	47	46.7
Exports of goods fob (US\$ m)	17,091	18,669	23,739	33,432	35,278
Imports of goods fob (US\$ m)	-16,893	-17,959	-23,221	-29,691	-36,630
Current-account balance (US\$ m)	1,402	3,174	2,891	6,804	1,626
Foreign-exchange reserves excl gold (US\$ m)	2,955	4,241	6,731	9,302	19,040
Total external debt (US\$ bn)	12.7	13.5	16.3	20.6	22.5
Debt-service ratio, paid (%)	10.8	13.8	12.6	12.4	12.1
Exchange rate (av) HRN:US\$	5.37	5.33	5.33	5.32	5.12
GDP Per Capita	0.78838	0.88702	1.05696	1.37872	1.76873

(c) Economist Intelligence Unit 2006

**Table 2: Belarus: Economic Indicators 2001–2005**

<b>Belarus</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
GDP at market prices (BRb bn)	17,173	26,138	36,565	49,445	62,728
GDP at market exchange rate (US\$ bn)	12.4	14.6	17.8	22.9	29.1
Real GDP growth (%)	4.7	5	7	11	9.2
Consumer price inflation (av; %)	61.1	42.5	28.4	18.1	10.3
Population (mid-year; m)	10	9.9	9.8	9.8	9.8
Exports of goods fob (US\$ m)	7,334	7,965	10,073	13,917	16,083
Imports of goods fob (US\$ m)	-8,141	-8,879	-11,329	-15,983	-16,319

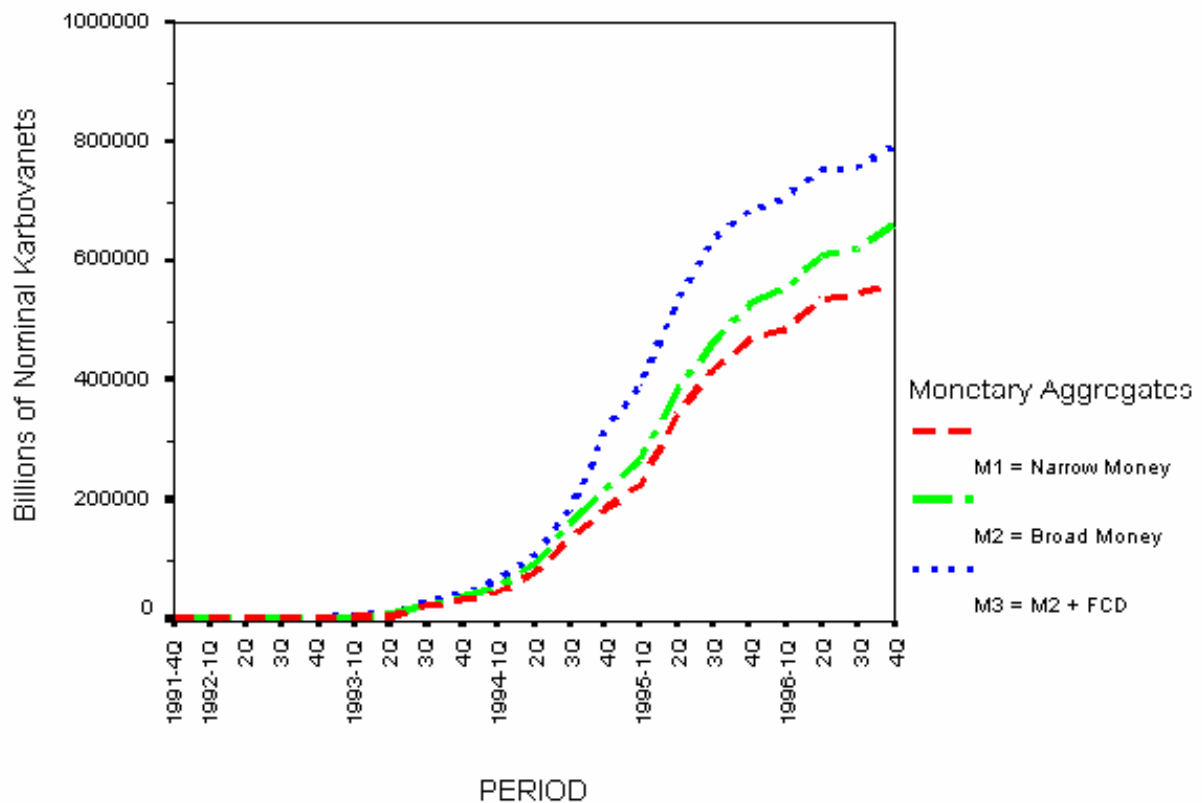
m)

Current-account balance (US\$ m)	-394	-311	-424	-1,043	852
Reserves excl gold (US\$ m)	391	619	595	749	1,215
Exchange rate (official; av; BRb:US\$)	1,390.00	1,790.90	2,051.30	2,160.30	2,153.80
GDP Per capita	2.638298	2.92	2.542857	2.081818	3.163043

(c) Economist Intelligence Unit 2006

**Figure 1:**

**Change in Ukrainian Monetary Aggregates  
(1991 - 1996, By Quarter)**



\* Courtesy of Harvard Ukrainian Research Institute.

**Table 3: Ukraine: Composition of Trade****Main composition of trade—Ukraine**

(US\$ m; fob-cif)

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Exports fob					
Non-precious metals	6,468	6,720	7,126	8,492	13,051
Machinery & equipment	1,859	2,340	2,631	3,634	5,661
Fuel & energy, incl ores	1,273	1,614	2,086	3,293	4,066
Food, beverages & agricultural products	1,378	1,824	2,389	2,732	3,473
Total exports incl others	14,573	16,265	17,957	23,080	32,675
Imports cif					
Fuel & energy, incl ores	6,419	6,590	6,940	8,341	10,665
Machinery & equipment	2,625	3,379	3,791	5,723	7,794
Chemicals	1,647	1,959	2,218	1,771	2,248
Food, beverages & agricultural products	908	1,126	1,114	2,174	1,908
Total imports incl others	13,956	15,775	16,977	23,021	28,997

Source: Ministry for the Economy and European Integration.

(c) Economist Intelligence Unit 2006