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REFORM STRATEGIES AND ECONOMIC GROWTH IN UKRAINE, RUSSIA AND BELARUS

Annotation. The article deals with the impact of the transition strategies on the economic growth in Ukraine, Russia and Belarus. An attempt at comparative analysis of these strategies was made. The main trends of the countries' further development were determined.

Анотація. Розглянуто вплив стратегій перехідного періоду на економічне зростання в Україні, Росії та Білорусі. Зроблено спробу порівняльного аналізу цих стратегій у названих країнах. Встановлено основні напрями подальшого розвитку країн.

Аннотация. Рассмотрено влияние стратегий переходного периода на экономический рост в Украине, России и Беларуси. Сделана попытка сравнительного анализа этих стратегий в указанных странах. Определены основные направления развития стран.

Keywords: transition strategy, economic growth, shock therapy, gradual reform, gross domestic product growth rate.

The collapse of the bipolar political system at the end of 1980 and the emergence of the independent post-Soviet states led to the necessity of their economies transformation. On their way to capitalism the post-Soviet countries have chosen different transition strategies which greatly vary in speed and intensity. The aim of the article was to explore the impact of the chosen transition strategy on the economic growth of Ukraine, Russia and Belarus.

Different aspects of economic reforms in the post-soviet states were studied by foreign experts and economists and by our compatriots: Lipton, Sachs, Fischer, Stiglitz, Popov, Wolf, O. Bilous, W. Budkin, Z. Varnaliy, V. Vergun, A. Galchinsky, O. Havrylyshyn and others.

So what reform strategy has been chosen by each country?

In early days of transition two schools of thought on the speed and sequence of economic reforms emerged. A radical program, "shock therapy" or "the Washington consensus," became the main proposal for how to undertake the systemic change. It amounted to a comprehensive and radical market reform. Key elements were swift and far-reaching liberalization of prices and trade, sharp reduction of budget deficits, strict monetary policy, and early privatization, usually coupled with international assistance conditioned by reform measures. This "big bang" strategy has been implemented in Russia.

In opposition to the radical reform program, numerous gradual reform programs were formulated. Some favored more gradual deregulation of foreign trade or prices. Others wanted more gradual reduction of inflation rates, budget deficits, and monetary expansion. Many argued that the quality of privatization was more important than its speed. The opponents of radical reform were diverse. Gradual reform came to dominate in Ukraine as well as in most countries of the former USSR.

As for Belarus it has held the least number of structural reforms. So its economy remains mostly state-controlled and can be described as "Soviet-style."

So the ways of transition in the three countries are quite different. Russia chooses "shock therapy". Belarus carries out only some limited reforms. Ukraine with its late gradual reforms is somewhere in the middle.

But how does each economy grow?

The comparison of the Gross Domestic Product growth rate shows that at the initial stage a deep output decline was common for all the three countries independently of the transition strategy adopted and seems to be affected by a combination of various macroeconomic and microeconomic factors, (table).

Table

GDP growth rate

Country	1990	1991	1992	1993	1994	Cumulative record
Belarus	1.9	-1.9	-9.6	-11.7	-21.5	-37.4
Russia	-3.0	-13.0	-19.0	-12.0	-15.0	-48.9
Ukraine	-3.6	-12.0	-17.0	-17.0	-23.0	-55.0

Minimizing structural reforms from the end of 1995 Belarus returned to growth first. Russia came out of recession later in 1998. Ukraine overcame recession only in 2000.

The global crisis pushed Russia and Ukraine into recession again. In 2009 Russia performed its record negative growth 7.9 % , Ukraine's economy contracted more than 15 % . (It was by the way one of the worst economic

performances in the world). But Belarus still kept not high but positive growth rate (0,2 %).

In 2010 the economic growth resumed but also with different pace: Belarus became the leader again with GDP growth rate 7.6 %, followed by Ukraine with 4.2 % and Russia with 4 %. As a result Belarus doubled real Gross Domestic Product after ten years while Russia GDP growth was only 59.2 %.

Still the market economy of Russia is the eleventh largest economy in the world by nominal value and the sixth largest by purchasing power parity ranking only after the USA, China, Japan, India and Germany.

And no one can deny that at the moment due to market reforms Ukraine and Russia are successfully overcoming the global economic crises and its consequences while the foreign exchange crisis in Belarus is affecting its economic activity, increasing inflation. Indeed the indicator of 1.7 % in the third quarter shows the dramatic decline of GDP growth in Belarus.

Thus we can conclude that the impact of the transition strategies on the economic growth in Ukraine, Russia and Belarus is obvious.

Structural reforms slow the economic growth at the initial stage but further they influence quite positively. So gradual strategy of Ukraine only postponed its coming out of the initial recession.

The lagger in reforms, Belarus has always been the leader in growth until the resent internal crisis. This experience shows that the lack of reforms (even with the stable economic growth) may lead to serious problems in economy.

At the moment Ukraine and Russia are successfully overcoming the consequences of the global economic crises. This proves that structural reforms are really positive in the long run as they form the firm basis for further economic growth and development.

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