

Economic therapy without shock would be helpful

For any economy to be efficient, it needs development. What changes are needed in Belarus to tackle economic and social problems, ensuring production efficiency and enhanced standards of living? The Head of the Management Department at the Belarusian State University's Economics Faculty, Prof. Boris Panshin, shares his views.

This year, Belarus' economy skidded off the rails. What measures now need to be taken?

There're no loss making enterprises but there's lack of efficient management. Global practice demonstrates that professionalism at the top guides over 85 percent of a company's success. In my first lecture, I always tell my students that a manager's main goal is to unite commodities and markets — it's at the core of economic theory. If employees see the efficiency of measures, they'll agree to the strictest demands from their managers.

In Belarus, the situation is far from following classic economic norms, as we are socially oriented. Accordingly, economic profits do not guide policy alone; rather, we focus on protecting workers' wellbeing. I applaud this strategy. We all expect our lot to improve. If we are deprived of a 'future', crisis emerges. A true crisis is a situation where there is nothing to eat and you have no idea of what tomorrow brings. Happily, we have a different situation.

Nevertheless, change is necessary. Our domestic economy — which is largely based on Soviet principles — needs to meet modern challenges. What path should we choose? Is Polish 'shock therapy' appropriate for us? It was quite painful for the population...

In Belarus, we take a gentler, yet consistent, approach to transformation. As Chinese experience confirms, this is the most efficient approach. According to statistics, over the past two decades, most

Belarusian enterprises have adapted to market conditions. If they had not, our shops and pharmacies would sell only imported products (at high prices), with exports impossible. The state is taking compensational measures to ensure the gradual modernisation of facilities and the adaptation of employees to new conditions. These include privileged loan terms, reduced export fees and access to leasing; the situation is not ideal but certain progress is evident.

Speaking of Poland, it chose 'shock therapy' in the 1990s, allowing prices to find their own level while launching major privatisation. The country already had more of a normal economy though. Even during Soviet times, agriculture was 70 percent privately owned. Poland had a population of several dozen million, creating a huge domestic market. Moreover, it enjoyed access to the Western European markets and enjoyed significant foreign loans. These factors — among others — enabled Poland to pass its transitory period quite quickly.

We should also remember that many Poles moved abroad to work. Western Europe's image of Polish people usually includes a hoard of plumbers who have come to seize jobs in Germany and other countries. In fact, for every three jobs abroad, one is created domestically, since those working abroad transfer money to Poland, inspiring the creation of new jobs in their homeland. Nevertheless, Poland's 'shock therapy' failed to solve all its problems. Many remain unsatisfied and rapid reform led to Poland losing much of

its previously strong industrial sector — such as ship building.

Irrespective of the transition,

any state wishing to remain strong and independent needs to take compensational measures: shock and therapy must be combined. With this in mind, social issues receive special attention in Belarus, although we refrain from 'shocking' decisions. Many people may have forgotten the fact that Belarus was long the only post-Soviet state to pay its pensions on time.

The more power state officials hold, the less initiative entrepreneurs show. How can a middle ground be found?

The state needs to launch a mechanism to encourage state-private partnership, enhancing efficiency via joint production chains between state run and private enterprises. It's a huge undertaking. The benefits are that an enterprise is like a small ship — able to make a hairpin manoeuvre. The state is a huge cruise liner, lacking the ability to react quickly to change. Stability, consistency and clear action are needed — by authorities and businessmen — while remembering our social focus. Japan and South Korea applied this approach to revive their economies.

These complicated tasks require joint effort from state officials, industrialists, scientists and businessmen. Belarusian managers are not yet accustomed to such a system but no other path is possible. We need to promptly change the structure of our economy, establishing the optimal balance of small, large and medium-sized companies.

It's too costly to inject money into all branches of the domestic economy. Which areas deserve the greatest attention and what should be done with loss making companies?

'Lean manufacturing' — as it's called in Japan — should be applied at all do-

mestic enterprises, especially the large ones. This means aiming for the greatest profit from the least resources. We need to define the most competitive products, while company heads should minimise production costs. It's possible to save money on electricity and material resources, and to close non-essential production lines. In fact, many Belarusian enterprises are focused on gaining maximum independence but it's not usually most efficient to produce everything ourselves. It's better to place some orders with other companies, via outsourcing. Managers of large firms must learn how to deal with hundreds of smaller companies.

Interestingly, in China, reforms were facilitated by replacing over 40 percent of all managers. We should remember that workers may lose their jobs as a result of optimisation but they can be transferred to other industries. The construction and agricultural spheres could be expanded, as huge potential exists in the growing of fruit, vegetables and mushrooms, as well as agricultural processing. The development of small scale innovative entrepreneurship is also vital, in the production sphere and information-communication technologies.

During a transitory period, citizens may feel the bite. What should we expect from the future?

If well thought out, economic 'therapy' doesn't just improve companies' efficiency; it also raises people's standard of living. However, we should clearly understand that the economy is a complicate organism. Reform takes time, effort and patience and should focus not only on financial benefit but on positive change for the population.



Boris Panshin

Optimism supported with action

Belarusian-Polish economic co-operation intensively extending — despite the global crisis

The Chairman of the Polish-Belarusian Chamber of Commerce and Industry, Jozef Lochowski, has stressed that Belarusian-Polish turnover may at least double in the near future. Talking at the 15th Poland-Belarus Neighbourhood 2011 Economic Forum — held in Poland's Biala Podlaska — he stressed, "This is the largest meeting with our eastern neighbour — Belarus. Co-operation is gaining momentum." He emphasised that, since 18 months ago, when the last forum was held in Minsk, economic co-operation between Belarus and Poland has made much progress. Mr. Lochowski noted that Belarusian-Polish economic ties are growing increasingly stronger in the face of some political disagreements; economic co-operation is vigorously developing against the backdrop of the global economic crisis.

At the Biala Podlaska meeting, Belarusian and Polish businessmen discussed how best to build co-operative ties to greatest effect. "We are well positioned to at least double our bilateral trade," Mr. Lochowski noted. In his opinion, the economies of our two countries do not compete but complement each other. For example, Poland exports pork and fruits to Belarus, while Belarus sells petrochemical products and tractors to Poland. "Belarus' economy is adapting to the market environment," Mr. Lochowski added.

Linen thread from Swiss line

The linen thread — processed by a Swiss short fibre sequential production line — is perfect, lacking any knots or extraneous inclusions

It can hardly be distinguished from thread produced from quality long fibre. Moreover, the machine is operated by a single person. The sequential line is among those installed at Orsha Linen Mill production and trade enterprise as part of the company's technical modernisation and re-equipment. There has been no break in the production process, with modern automated lines currently neighbouring those from Soviet times. This year, ten contracts worth 5.5m Euros were concluded for the supply of modern machinery; so far, 37 units have been dispatched to the enterprise (with 23 put into operation).



By Roman Anikeev

Polytex JSC (Mogilev District) introduces two new lines of nonwoven fabrics for construction, automobile and furniture industries