Belarus’s economic freedom score is 53.0, making its economy the 135th freest in the 2022 Index. Belarus is ranked 45th among 45 countries in the Europe region, and its overall score is below the regional and world averages.

Belarus has experienced erratic economic growth over the past five years, and its five-year compound annual growth rate is only 0.7 percent. Economic freedom has declined over the same five-year period. Dragged down by substantial score declines in rule of law, labor freedom, and business freedom. Belarus has recorded a 5.6-point overall loss of economic freedom since 2017 and has fallen from the “Moderately Free” category into the ranks of the “Mostly Unfree.” Tax burden and fiscal health scores are excellent, but the rule of law, investment freedom, and financial freedom are constrained.

IMPACT OF COVID-19: As of December 1, 2021, 5,098 deaths had been attributed to the pandemic in Belarus, and the government’s response to the crisis ranked 155th among the countries included in this Index in terms of its stringency. The economy contracted by 0.9 percent in 2020.

BACKGROUND: President Alexander Lukashenko has been in power since 1994 and controls all branches of government in this Eastern European nation, which has one of Europe’s worst human rights records. After Lukashenko won reelection again in the 2020 presidential election, which international observers viewed as rigged, protestors called for him to resign in favor of the main opposition candidate, Sviatlana Tsikhanouskaya. Industries and state-controlled agriculture are not competitive. New non-Russian foreign investment has essentially disappeared, largely because of Belarus’s unfavorable investment climate. Belarus is heavily dependent on Russia for its energy supplies and joined the Russia-backed Eurasian Economic Union in 2015.
Property rights are enforced by the Civil Code. Mortgages and liens are available, and the property registry system is reliable. Enforcement of property rights by the weak judiciary, however, is uncertain. Courts are subservient to the president, who appoints Supreme Court justices with the approval of the rubber-stamp parliament. The state controls 70 percent of the economy, and corruption is present at all levels of government, often with impunity.

The top individual income tax rate is 13 percent, and the top corporate tax rate is 18 percent. The overall tax burden equals 13.3 percent of total domestic income. Government spending has amounted to 38.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.2 percent of GDP. Public debt is equivalent to 48.0 percent of GDP.

Businesses have been targeted by Belarusian authorities since the August 2020 fraudulent elections. Many have been shut down because of their perceived politics, and employees have been arbitrarily detained. The labor market is largely regulated by presidential decree. According to the International Monetary Fund, just from 2005 to 2015, Russia provided $106 billion to fund subsidies so that the politically unpopular and repressive Lukashenko government could remain in power.

Belarus has seven preferential trade agreements in force. The trade-weighted average tariff rate is 4.7 percent, but various nontariff barriers continue to restrict trade flows. Belarus is not a member of the World Trade Organization. Investment and financial activity are severely limited by extensive government control. Many industries are primarily or exclusively state-run to the detriment of private investment and enterprises.